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Operating Budget and Proposed Student Charges

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FY2005 OPERATING BUDGET AND PROPOSED STUDENT CHARGES

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SECTION I

WHERE HAVE WE BEEN?

FY04 IN REVIEW

- ❖ Unavoidable increases in operating costs in FY04 totaled \$15.3 million funded by:
 - Budget reallocations
 - Tuition and fee increases
 - 2.4% enrollment increase
- ❖ In addition, in January 2004, E&G state appropriation was cut by \$4.9 million.
- ❖ UMS found savings by:
 - Hiring holds, layoffs, retirements
 - Faculty workload/larger class sizes/part-time instructors
 - Reduction in maintenance of physical plant
 - Reduction in travel/other discretionary operating expenses including equipment purchases
 - Health benefit plan design changes and increase in employee cost share
 - Refinancing long-term debt with lower fixed rates

FY03 – FY05 E&G STATE APPROPRIATION

ORIGINAL vs. FINAL

\$ in Millions

- ❖ State deappropriation/curtailments in FY03, FY04, and FY05 have totaled nearly \$16 million!

	<u>Original</u>	<u>Final</u>	<u>Cut</u>
FY03	\$172.7	\$163.2	(\$9.5)
FY04	\$166.6	\$161.7	(\$4.9)
FY05	\$165.6	\$164.4	<u>(\$1.2)</u>
			(\$15.6)

- ❖ Budgets were planned based on original appropriation
- ❖ Most state budget cuts came during the budget year causing major disruptions at the campuses

SECTION II

FY05 OPERATING BUDGET

FY05 BUDGET DRIVERS

- ❖ Approved FY05 state appropriation of \$164.4 million for Educational & General

	<u>\$ in Millions</u>
FY04 appropriation	\$160.7*
FY05 state appropriation cuts	(1.2)
FY04 deappropriation reinstated	<u>4.9</u>
FY05 appropriation	\$164.4**

*Excludes \$1.0 million one-time tuition appropriation

**Does not include \$2.25 million health plan savings due to increased MaineCare reimbursement rates.

- ❖ R&D appropriation for FY05 remains at \$10.2 million
- ❖ Essential increases in operating costs in FY05 approximating \$13 million include:
 - Inflationary increases for compensation and other operating expenses
 - 10% estimated health insurance increase
 - ERP operating costs
 - Operating costs for new campus facilities

FY05 BUDGET PROCESS

- ❖ Campuses prepared multiple budget scenarios with varying tuition rate assumptions
- ❖ Budget hearings held with Chancellor and senior staff
- ❖ Campus priorities were identified and partially funded; i.e.,
 - Financial aid
 - Libraries
 - Graduate student health insurance
 - Enrollment management
 - Faculty development
 - Student advising
 - Retention programs
- ❖ This process determined a tuition increase was necessary to ensure quality

FY05 OPERATING BUDGET

(Excluding Restricted)

	FY03 Actual	FY04 Projected Actual	FY05 Proposed Budget
<u>Revenues</u>			
Tuition & Fees	\$142.7	\$153.6	\$162.2
Less: Waivers/Scholarships	(23.2)	(24.4)	(26.1)
State Appropriation	163.2	161.7	164.4
Interest Income	8.3	3.0	4.1
Gift Revenue/Earnings	1.2	0.8	0.2
Indirect Cost Recovery	11.6	11.7	10.6
Sales/Services/Auxiliary	92.4	97.7	95.7
Total Net Revenues	\$396.2	\$404.1	\$411.1
<u>Expenses</u>			
Operating	\$365.5	\$381.8	\$389.7
Depreciation	27.4	25.9	25.4
Debt Service Interest	6.6	6.4	6.4
Total Expenses	\$399.5	\$414.1	\$421.5
Operating Loss	(\$3.3)	(\$10.0)	(\$10.4)
<u>Cash Flow</u>			
Operating Loss	(\$3.3)	(\$10.0)	(\$10.4)
Plus Depreciation	27.4	25.9	25.4
Less: Plant Project Transfers*	(6.1)	(1.6)	0.0
Capital Expenditures	(1.9)	(3.0)	(3.6)
Library Acquisitions	(5.6)	(5.7)	(6.0)
Debt Service Principal	(6.4)	(6.5)	(7.1)
Net Change	\$4.1	(\$0.9)	(\$1.7)

*Assumption: Plant Transfers are expended in fiscal year of transfer.

FY05 OPERATING BUDGETS BY UNRESTRICTED FUND

(Excluding Restricted)

	<u>Educational & General</u>	<u>Auxiliary Enterprises</u>	<u>FY05 Total</u>
<u>Revenues</u>			
Tuition & Fees	\$162.2		\$162.2
Less: Waivers/Scholarships	(25.3)	(0.8)	(26.1)
State Appropriation	164.4		164.4
Interest Income	4.1		4.1
Gift Revenue/Earnings	0.2		0.2
Indirect Cost Recovery	10.6		10.6
Sales/Services/Auxiliary	24.2	71.5	95.7
Total Net Revenues	<u>\$340.4</u>	<u>\$70.7</u>	<u>\$411.1</u>
<u>Expenses</u>			
Operating	\$325.0	\$64.7	\$389.7
Depreciation	22.1	3.3	25.4
Debt Service Interest	3.7	2.7	6.4
Total Expenses	<u>\$350.8</u>	<u>\$70.7</u>	<u>\$421.5</u>
Operating Loss	<u>(\$10.4)</u>	<u>\$0.0</u>	<u>(\$10.4)</u>
<u>Cash Flow</u>			
Operating Loss	(\$10.4)	\$0.0	(\$10.4)
Plus Depreciation	22.1	3.3	25.4
Less: Capital Expenditures	(2.6)	(1.0)	(3.6)
Library Acquisitions	(6.0)	0.0	(6.0)
Debt Service Principal	(5.1)	(2.0)	(7.1)
Net Change	<u>(\$2.0)</u>	<u>\$0.3</u>	<u>(\$1.7)</u>

FY05 E&G BUDGET COMMENTARY

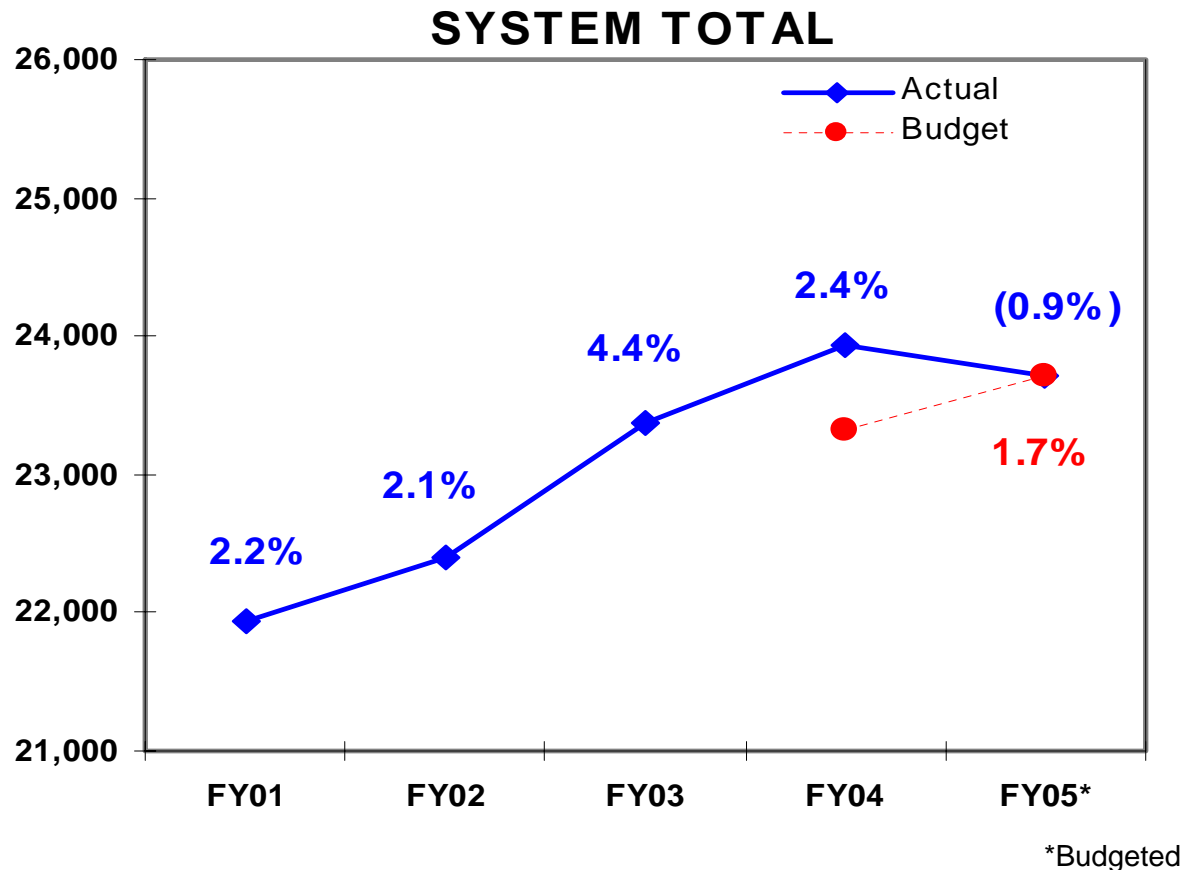
- ❖ New budgeting format to more closely reflect GASB 35 accounting
- ❖ UMS campuses continue practice of building conservative budgets
 - FY05 FTE budgeted enrollment of 23,720 is down slightly from FY04 actual; up 1.7% from FY04 budget
 - Other revenue areas of uncertainty (interest income, indirect cost recovery, sales and service) budgeted flat or down
- ❖ Weighted average in-state tuition and fee increase 7.2%; out-of-state 7.0%
 - Maintains quality
 - Provides for a 7% increase in financial aid
 - Still requires significant reallocation of resources to fund operating cost increases
- ❖ Overall deficits planned FY04 and FY05
 - “Carry-over” surplus from FY03 helps offset deficits as long-term budget cuts are made

FY05 AUXILIARY BUDGET COMMENTARY

- ❖ Residential students budgeted to increase by 2% to 7,280 students
 - Residential hall capacity System-wide increasing by 185 residents
- ❖ Room and Board weighted average increase of 4.0%. Increase is due to:
 - Different mix of suite style housing as compared to older dormitory style
 - Increased operating costs
 - Improved supervision, staffing & safety in residential halls
 - Building maintenance and furniture and fixture replacements
- ❖ Overall break even auxiliary budget under GASB format
 - Campuses support concept of using surpluses from auxiliary operations (fully costed) to support E&G activities

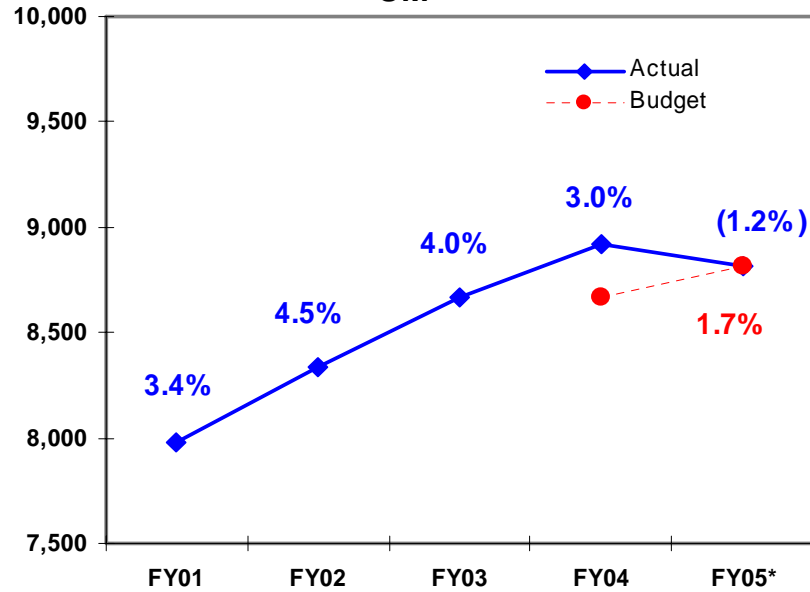
FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT

- ❖ Over the past 5 years, enrollments have increased 10.5%
- ❖ FY05 budgeted enrollment is up from FY04 budgeted enrollment but reflects a slight decrease from FY04 actual
- ❖ The number of Maine high school graduates is projected to decline after 2003/2004

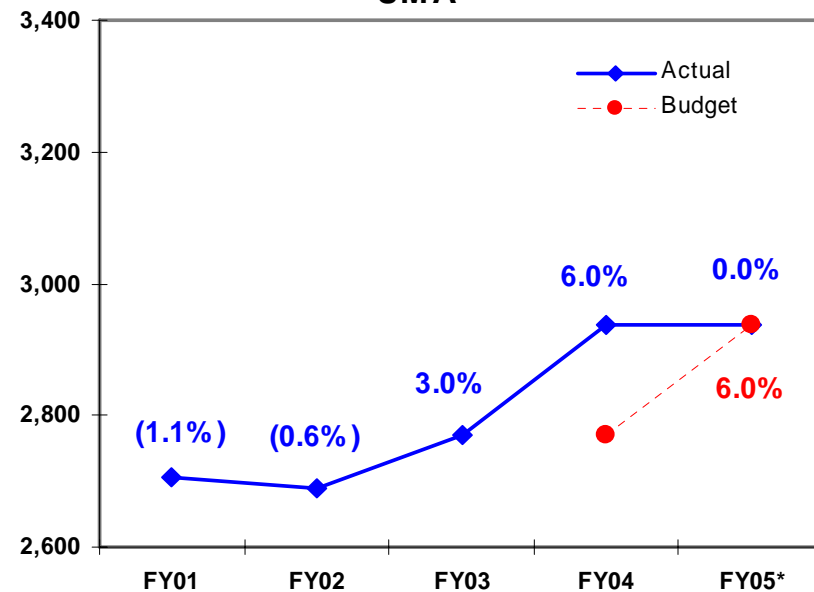


FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT

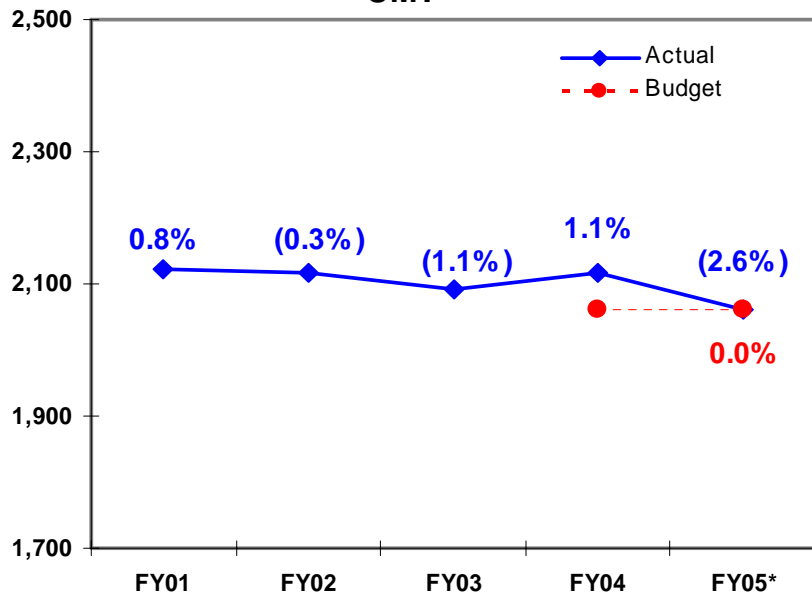
UM



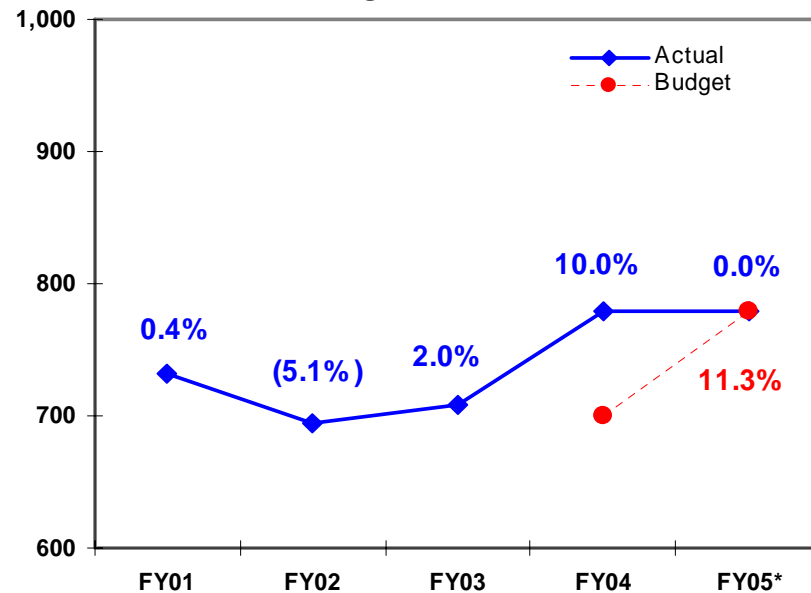
UMA



UMF



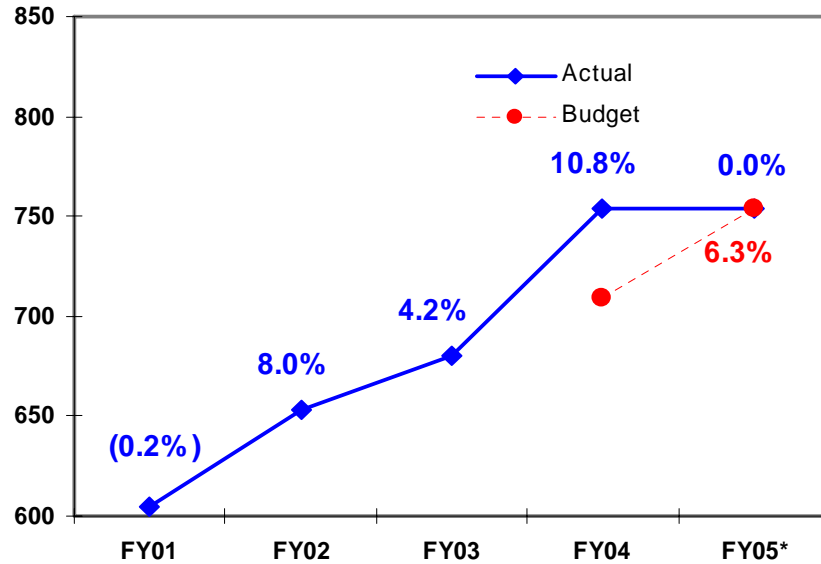
UMFK



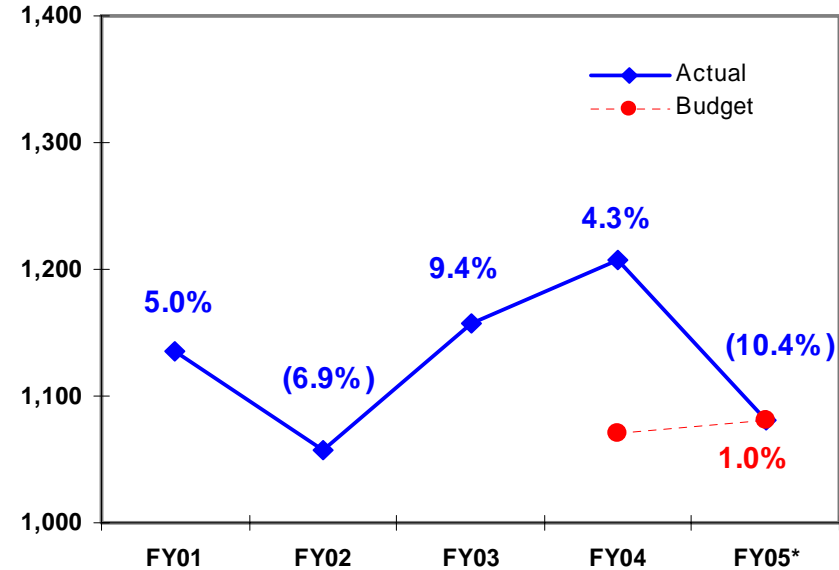
*Budgeted

FALL FULL-TIME EQUIVALENT STUDENT ENROLLMENT

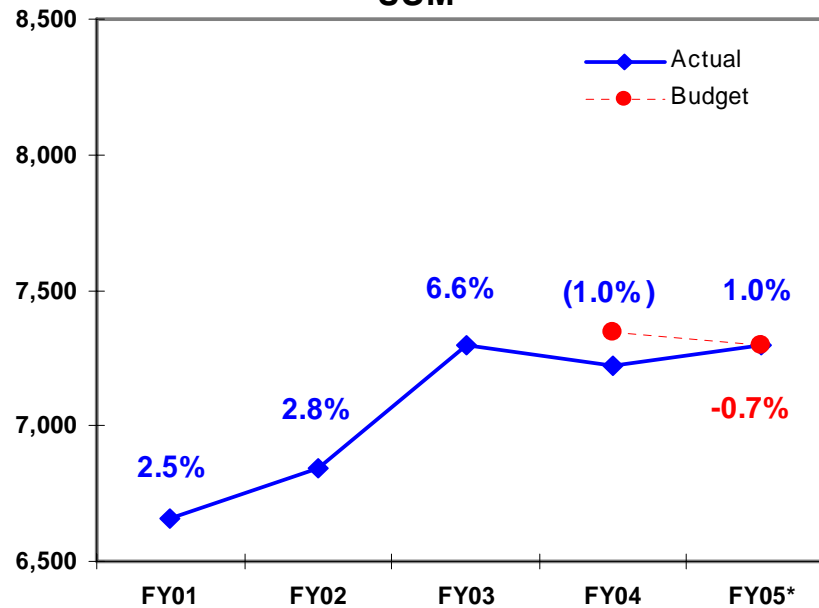
UMM



UMPI



USM



*Budgeted

SECTION III

STUDENT CHARGES

(See Appendix for proposed student charges)

WHY 7.2% INCREASE IN TUITION AND FEES

- ❖ Protect investment in quality and support unavoidable cost increases
- ❖ System priority required campuses to provide \$1.7 million increase in financial aid (waivers/scholarships)
 - Net tuition and fee increase is 5.3% after financial aid
- ❖ Projected increase in FY05 Maine personal income is 4.5%
- ❖ Proposed resident tuition & fees increases in New England:

- University of Massachusetts - Amherst	9.4%
- University of Connecticut	7.9%
- University of Rhode Island	6.9%
- University of New Hampshire - Durham	6.4%
- University of Vermont	6.2%

PROPOSED TUITION INCREASES FOR FALL 05

	IN-STATE		OUT-OF-STATE		NEBHE/CANADIAN	
	Annual Increase		Annual Increase		Annual Increase	
	\$	%	\$	%	\$	%
<u>UNDERGRADUATE</u>						
UM	\$390	8.3	\$1,080	8.1	\$585	8.3
UMA	270	7.3	660	7.4	405	7.3
UMF	360	8.4	870	8.3	540	8.4
UMFK	270	7.3	660	7.4	405	7.3
UMM	270	7.3	690	7.2	405	7.3
UMPI	270	7.3	660	7.1	405	7.3
USM	300	6.9	780	6.5	450	6.9
<i>Weighted Avg.</i>	<i>326</i>	<i>7.6</i>	<i>860</i>	<i>7.1</i>	<i>444</i>	<i>7.4</i>
<u>GRADUATE</u>						
UM	\$342	8.1	\$972	8.1	\$513	8.1
USM	252	6.5	684	6.3	378	6.5
<i>Weighted Avg.</i>	<i>282</i>	<i>7.0</i>	<i>903</i>	<i>7.7</i>	<i>511</i>	<i>8.2</i>
<u>LAW</u>						
1st Yr.	\$1,350	11.3	\$1,500	7.4	\$2,025	11.3
2nd & 3rd Yr.	1,650	14.1	1,950	9.8	2,475	14.1
<i>Weighted Avg.</i>	<i>1,527</i>	<i>12.9</i>	<i>1,707</i>	<i>8.5</i>	<i>2,232</i>	<i>12.5</i>

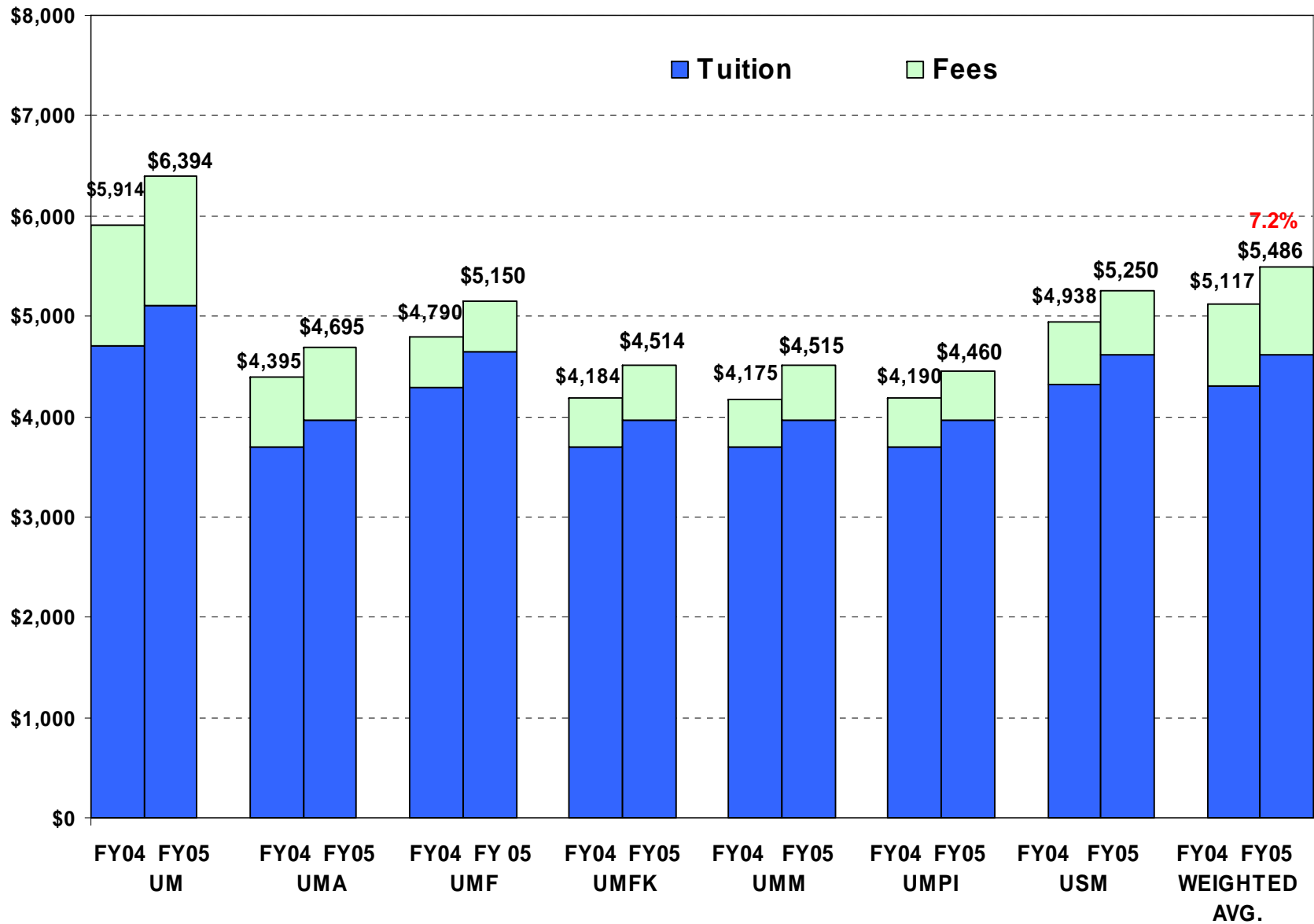
Note: Undergraduate & Law annual tuition are based on 15 credit hours per semester for 2 semesters. Graduate annual tuition based on 9 credit hours per semester for 2 semesters.

PROPOSED FY05 MANDATORY FEES INCREASES

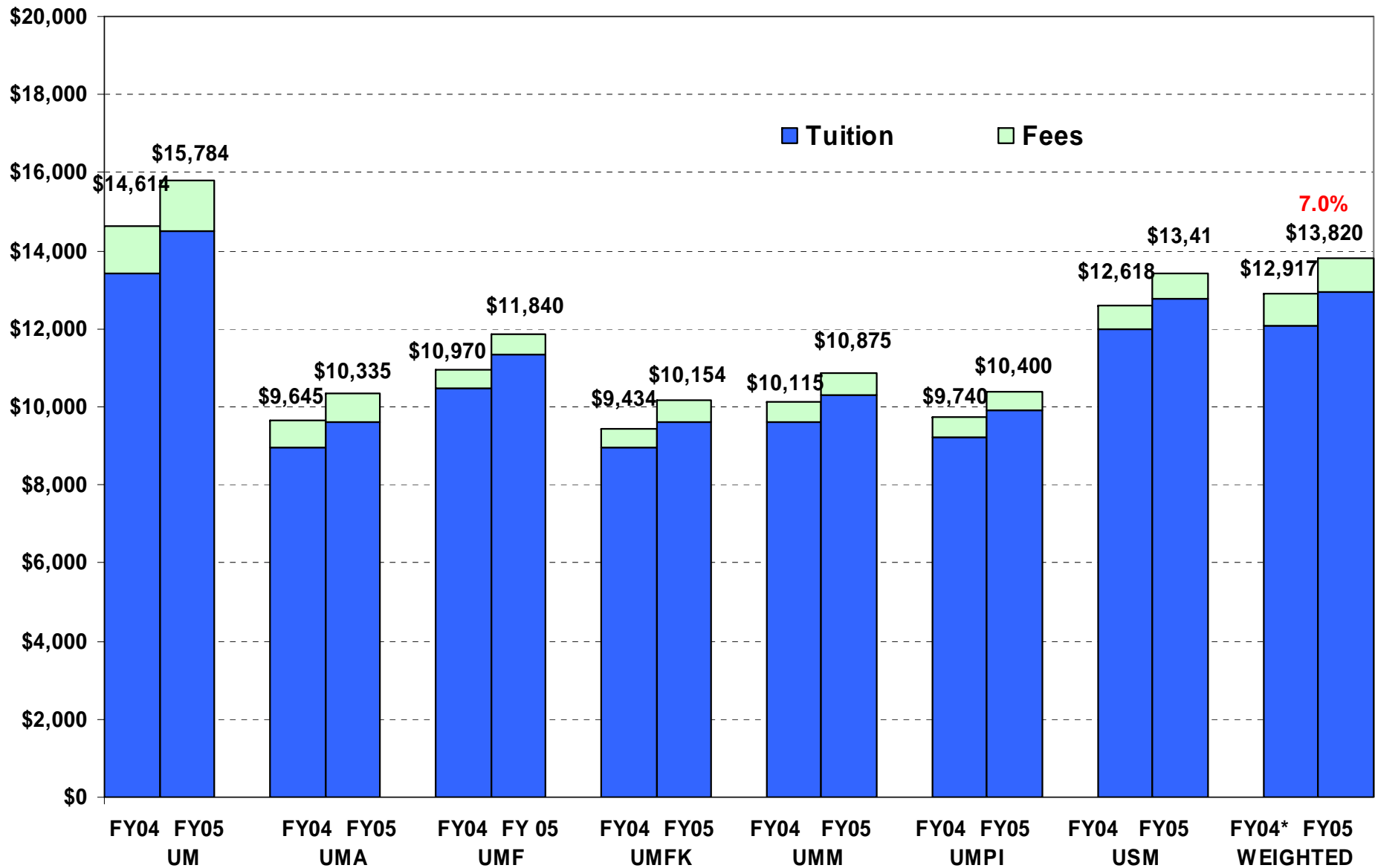
	Annual Increase		Reason for Increase
	\$	%	
<u>UNDERGRADUATE</u>			
UM	\$90	7.5	Academic and student support services increases
UMA	30	4.3	Academic support services
UMF	-	-	
UMFK	60	12.1	Healthcare clinic
UMM	70	14.4	Lifelong Learning Center
UMPI	-	-	
USM	12	1.9	Student Activity Fee Increase
<u>GRADUATE</u>			
UM	\$36	7.0	Academic and student support services increases
USM	-	-	

Note: Undergraduate & Law annual fees are based on 15 credit hours per semester for 2 semesters.
Graduate annual fees based on 9 credit hours per semester for 2 semesters.

IN-STATE TUITION AND MANDATORY FEES COMPARISON



OUT-OF-STATE TUITION & MANDATORY FEES COMPARISON

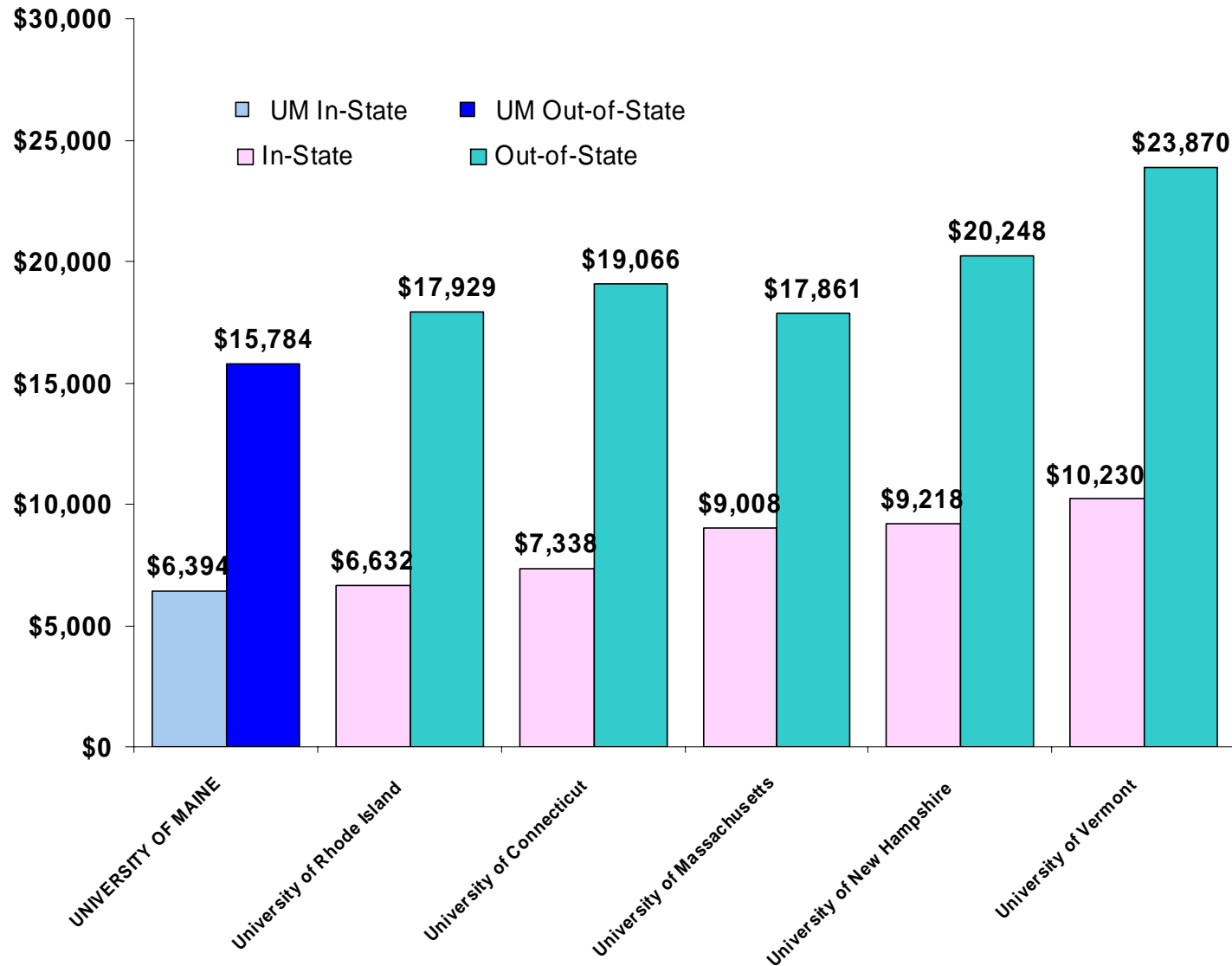


*Restated to eliminate NEBHE/Canadian students - treated as a separate rate in FY05

NEW ENGLAND LAND-GRANT UNIVERSITIES

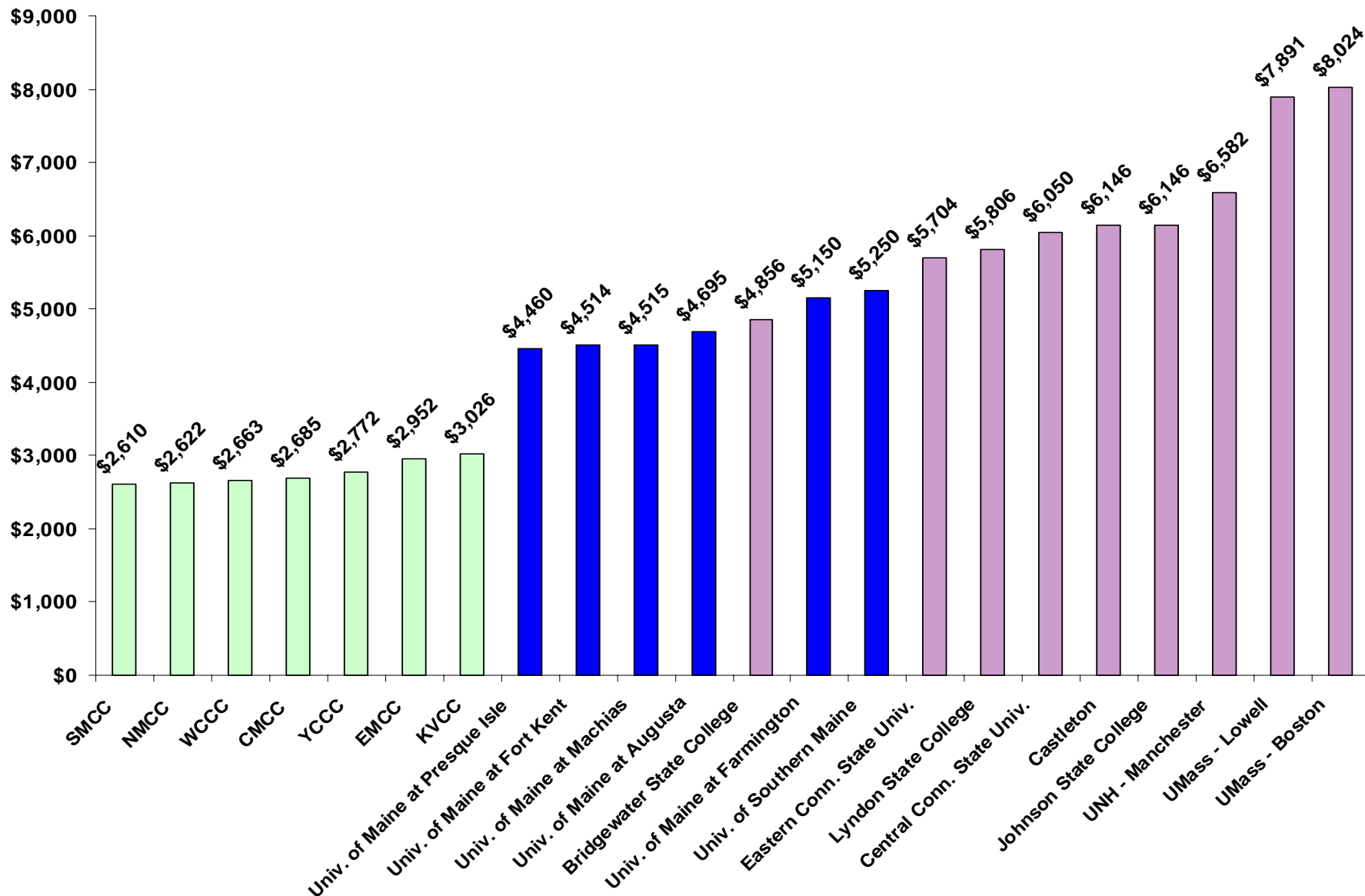
ESTIMATED UNDERGRADUATE TUITION & MANDATORY FEES

FY05

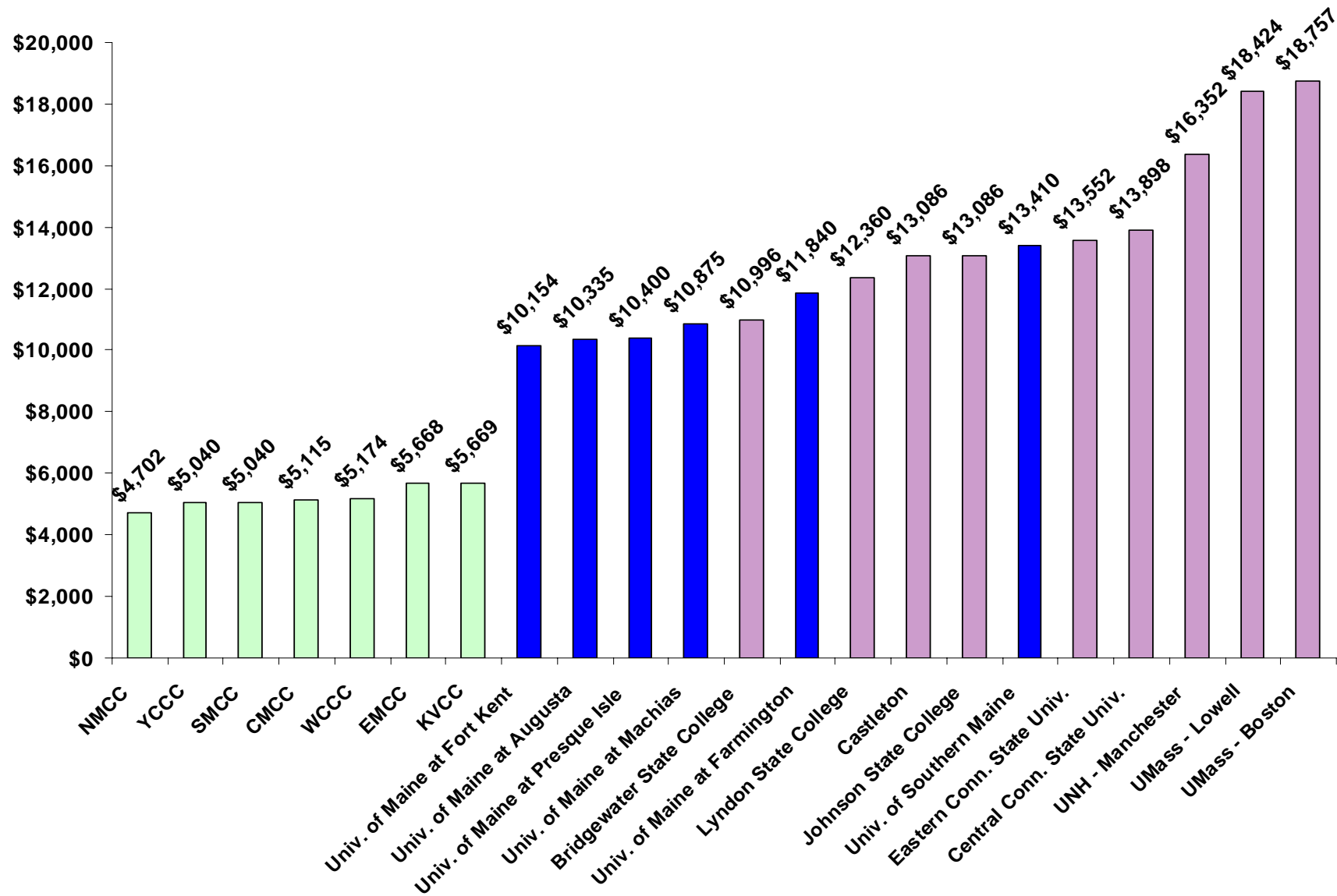


SOURCE: Telephone calls and WEB sites

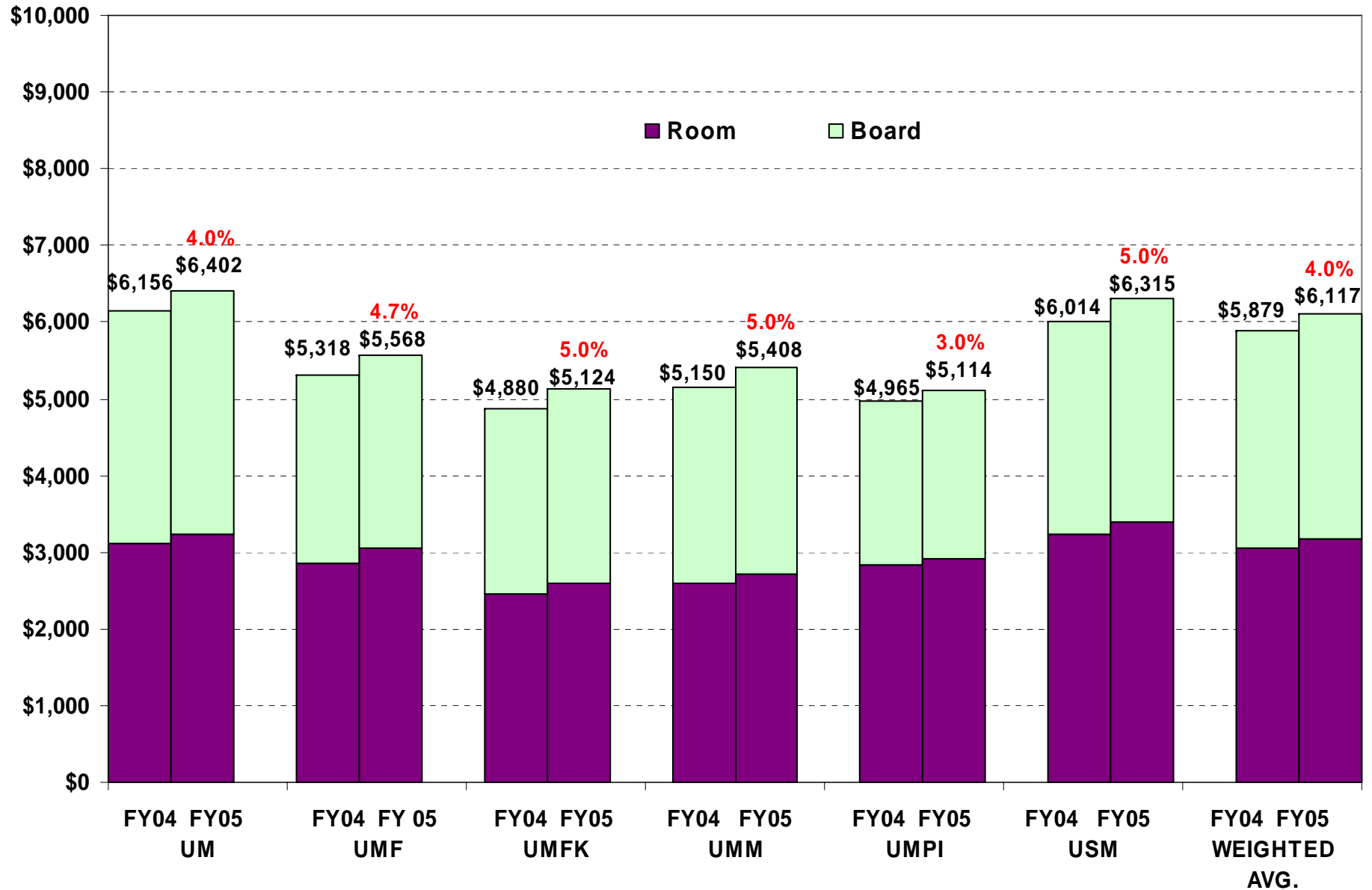
SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED UNDERGRADUATE IN-STATE TUITION & MANDATORY FEES FY05



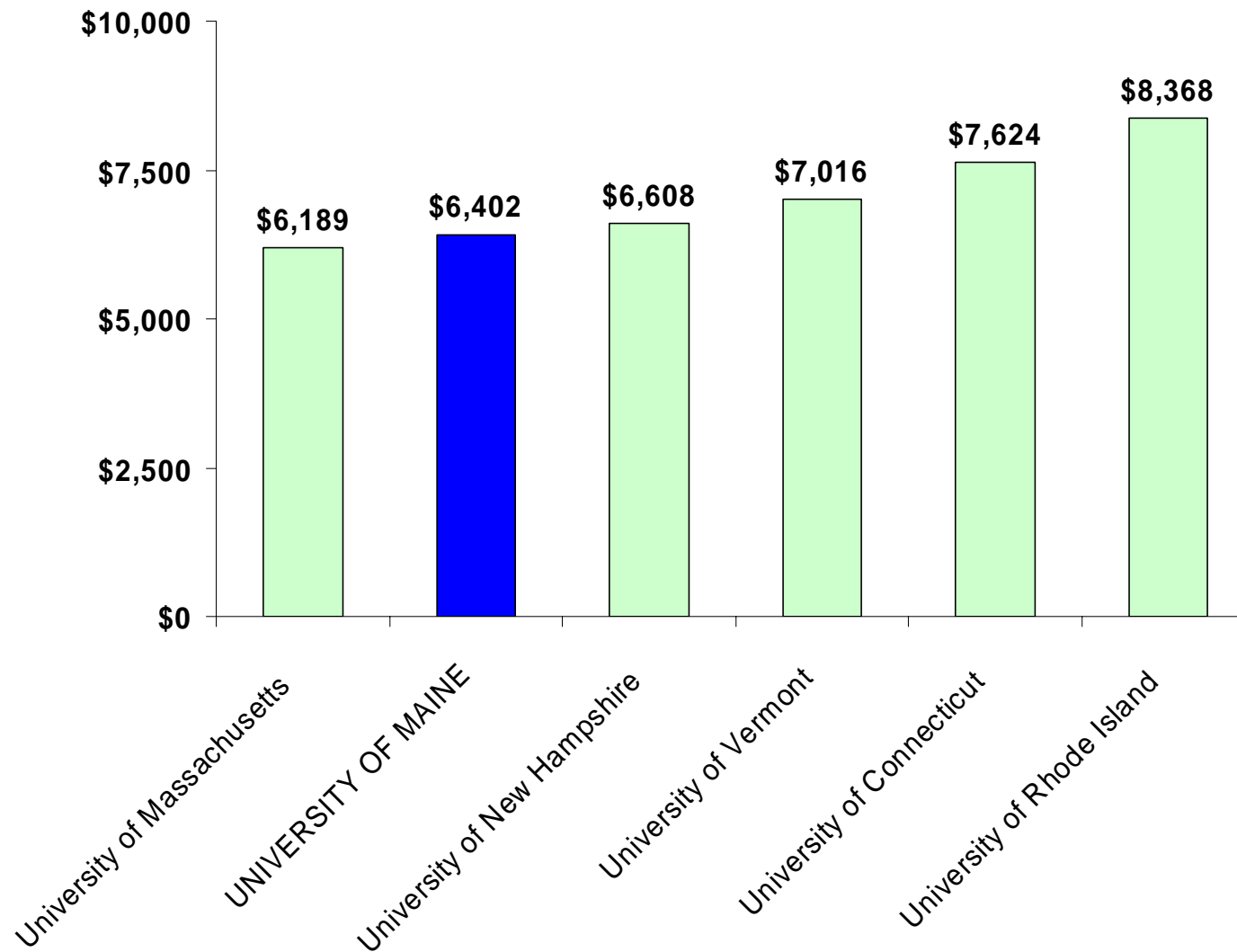
SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES ESTIMATED UNDERGRADUATE OUT-OF-STATE TUITION & MANDATORY FEES FY05



FY05 PROPOSED ROOM & BOARD RATE INCREASES



NEW ENGLAND LAND-GRANT UNIVERSITIES ESTIMATED ROOM & BOARD FY05

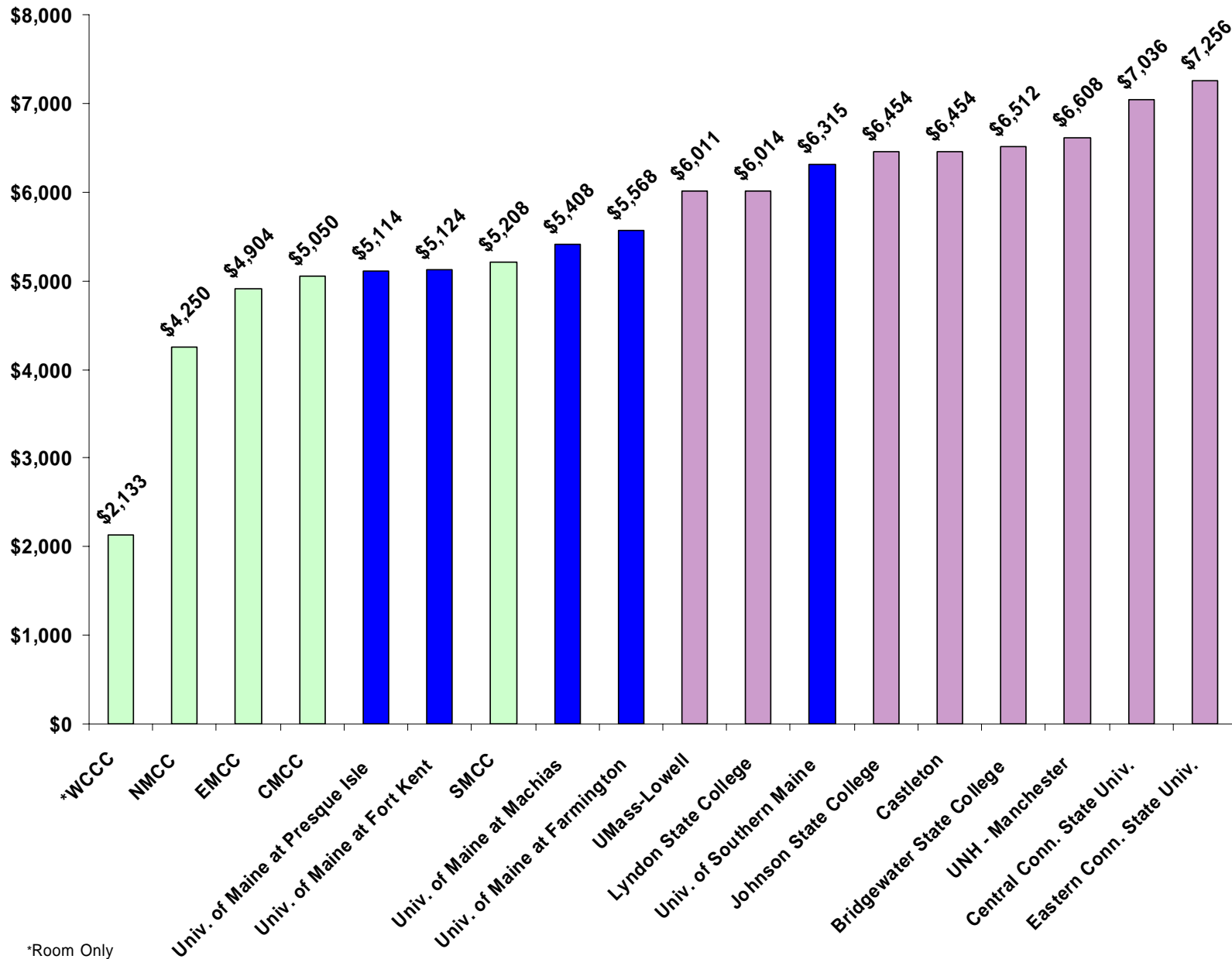


SOURCE: Telephone calls and WEB sites

SELECTED NEW ENGLAND STATE COLLEGES & UNIVERSITIES

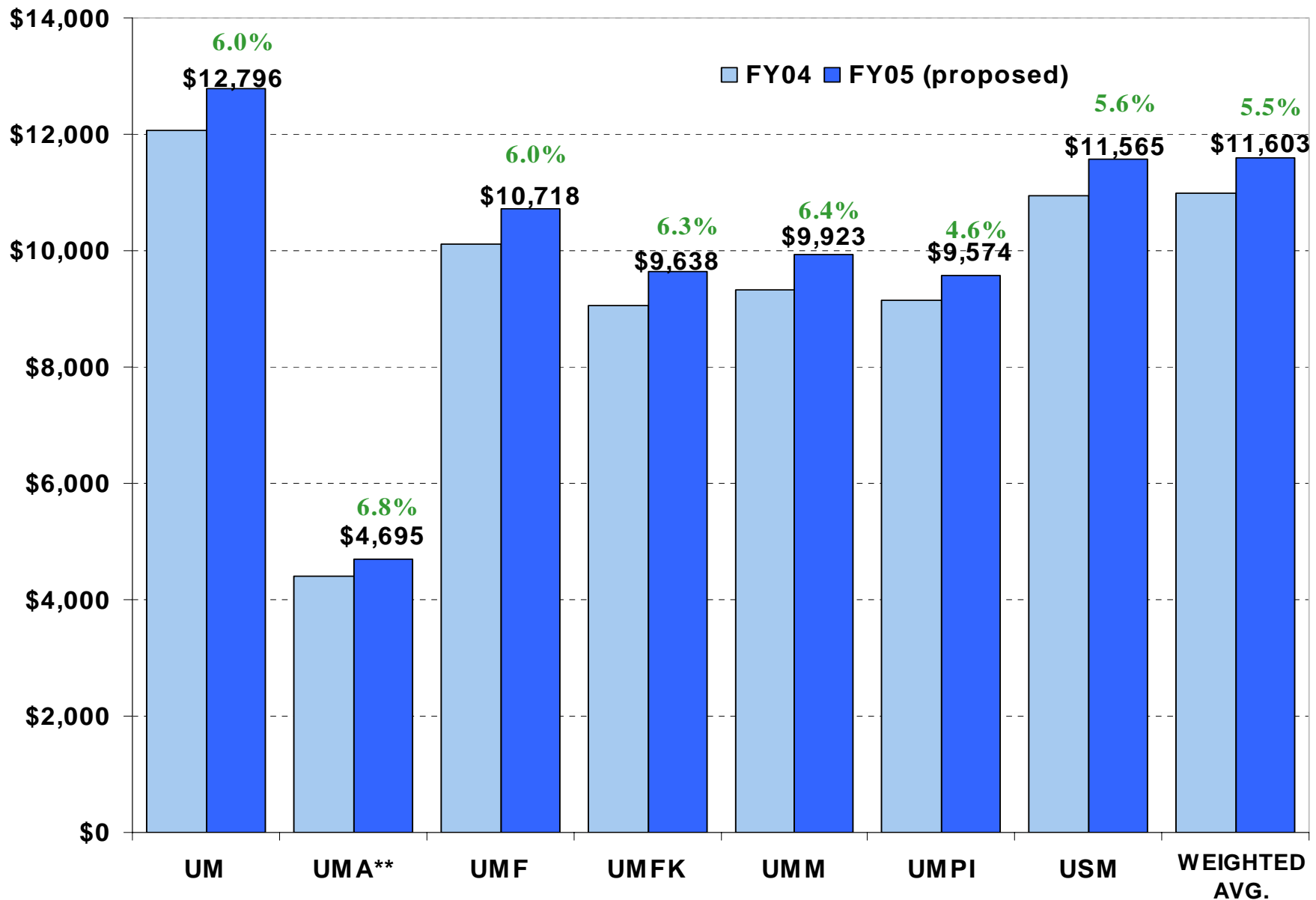
ESTIMATED ROOM & BOARD

FY05



*Room Only

IN-STATE COMPREHENSIVE STUDENT COST OF EDUCATION*



* Tuition, mandatory fees, room, and board

**UMA has no residence or dining halls

SECTION IV

FINANCIAL AID

FINANCIAL AID COMMENTARY

❖ State Aid

- State grant funding is projected to decrease slightly
- Maine ranks 26th in the nation for estimated state grant dollars per resident college-age population

❖ Federal Aid

- For FY05, federal funding is projected to remain flat
- Historically, UMS has received a guaranteed base federal aid allocation. Under the pending Reauthorization of the Higher Education Act, UMS allocation would be drastically cut. “Fair Share” would be based on national average student cost and number of UMS eligible students.
 - Scheduled to be finalized October 2004
 - 5-year implementation – 20% reduction per year – tentatively begins in FY06

❖ University of Maine System Aid

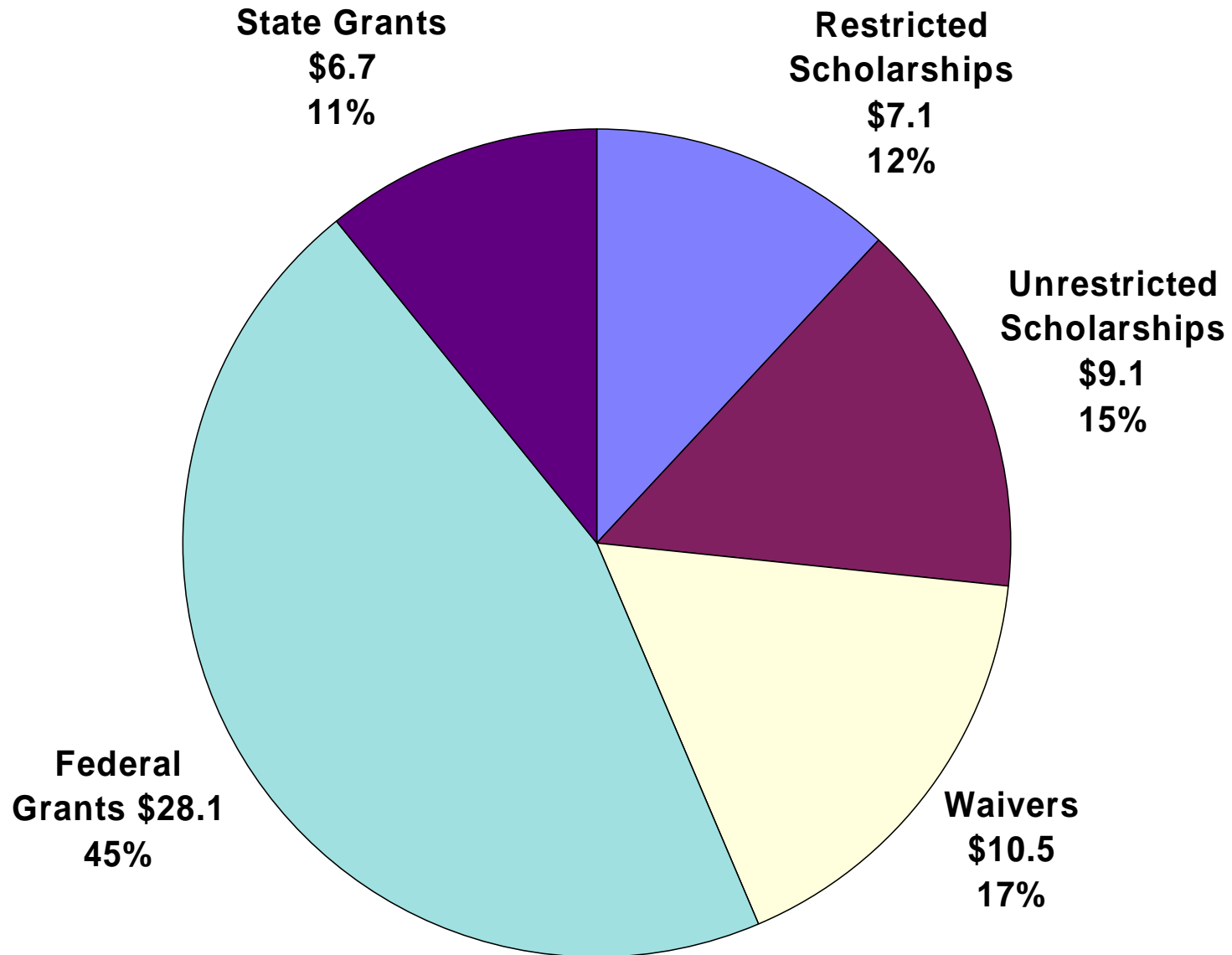
- Restricted scholarships spending rate changed from 5.50% to 5.25%
- Unrestricted financial aid increases by \$1.7 million (or 7.0%) to offset increases in student charges for those with greatest need

FY03 FINANCIAL AID AS A % OF TUITION & FEES REVENUE

	Gross Tuition & Fees Revenue	Financial Aid (Excluding Loans)	Financial Aid as a % of Tuition & Fees Revenue		
			Institutional Aid	Non- Institutional Aid	Total
UM	\$61.1	\$26.6	27%	16%	43%
UMA	13.3	8.5	8%	56%	64%
UMF	12.4	6.2	18%	32%	50%
UMFK	3.4	1.5	15%	29%	44%
UMM	3.6	2.4	25%	42%	67%
UMPI	5.1	3.2	16%	47%	63%
USM	44.2	13.1	10%	20%	30%
TOTAL	\$143.1	\$61.5	19%	24%	43%

FY03 FINANCIAL AID - \$61.5 Million

(Excluding Loans)



REAUTHORIZATION OF THE HIGHER EDUCATION ACT - PROPOSED

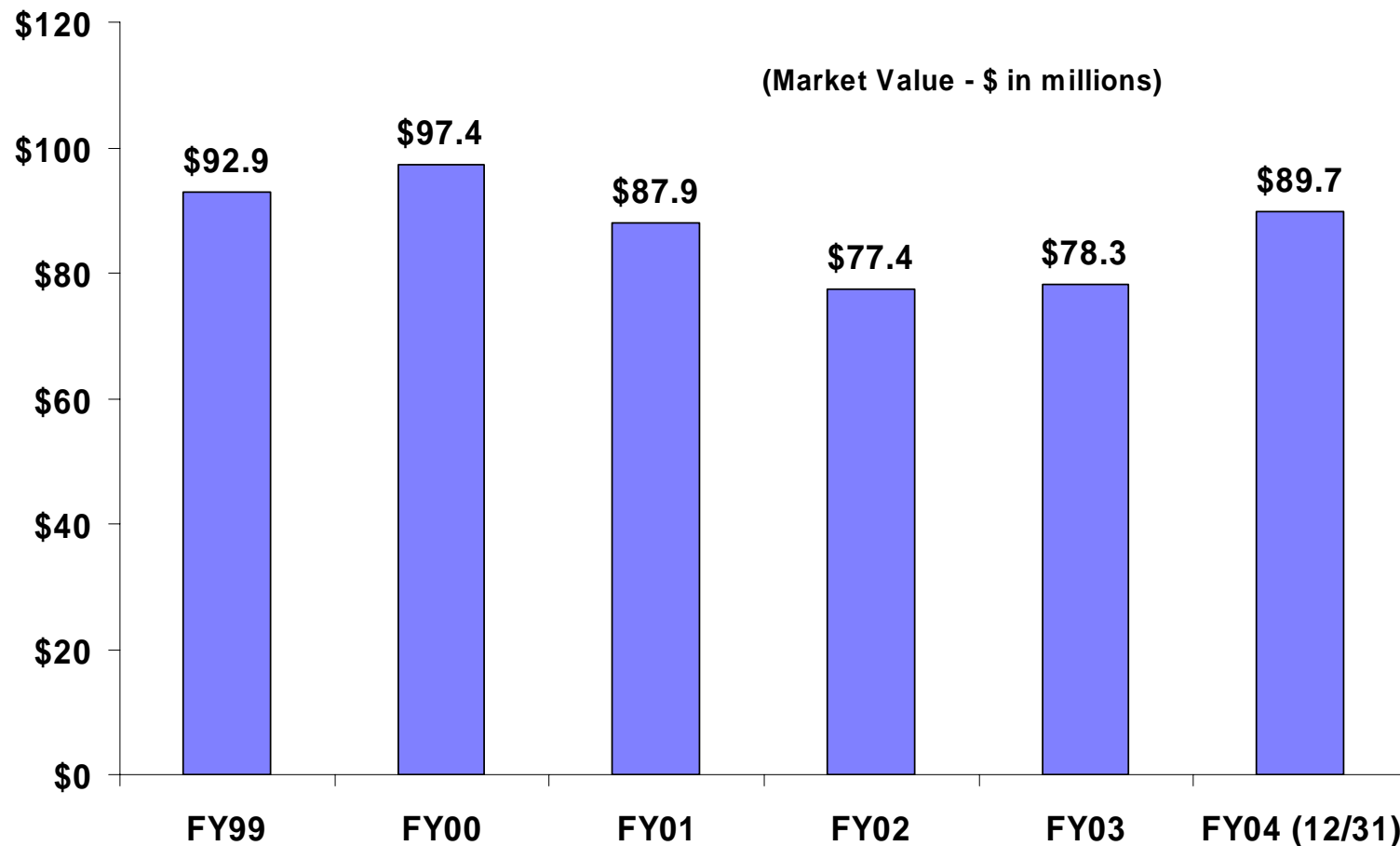
FEDERAL ALLOCATIONS VS. FAIR SHARE FEDERAL WORK STUDY, SEOG, & PERKINS (*\$ in Thousands*)

	FY05 Allocation	Proposed Fair Share	Full Impact*	
			\$	%
UM	\$3,528	\$1,354	(\$2,174)	(62%)
UMA	497	429	(68)	(14%)
UMF	713	262	(451)	(63%)
UMFK	446	57	(389)	(87%)
UMM	423	70	(353)	(83%)
UMPI	907	119	(788)	(87%)
USM	2,966	672	(2,294)	(77%)
TOTAL	\$9,480	\$2,963	(\$6,517)	(69%)

*If implemented, will be phased in over a 5-year period - 20% reduction per year - tentatively begins in FY06

TOTAL RESTRICTED ENDOWMENT INVESTMENTS

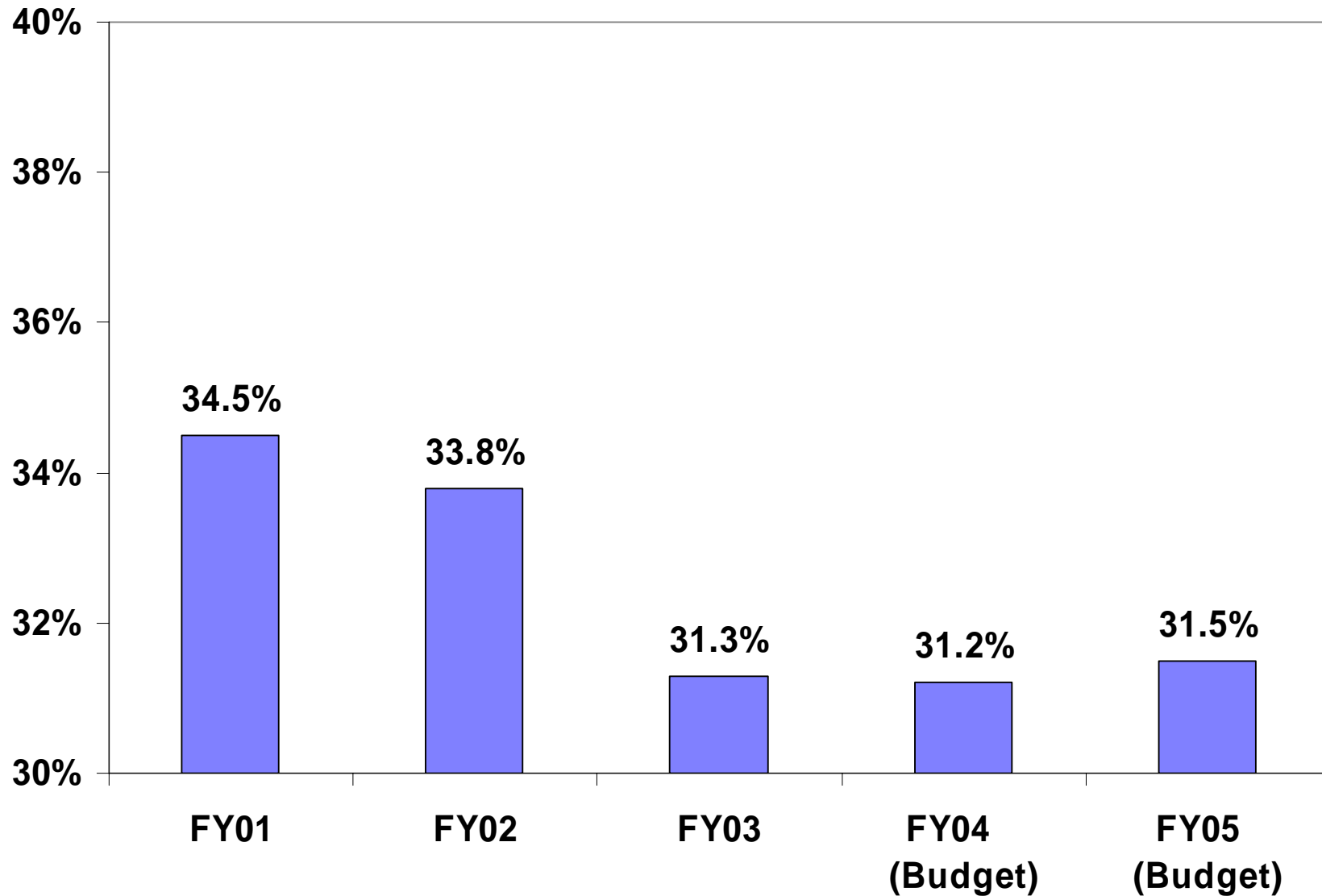
- ❖ Spending rate on 12-quarter average reduced from 5.50% for FY04 to 5.25% for FY05
- ❖ Impact of endowment payout reduction: FY04 = \$4.6 million FY05 = \$4.1 million
- ❖ Endowment restricted as follows:
 - Scholarships 56%
 - Academic Support 27%
 - All Other 17%



SECTION V

STATE APPROPRIATION AND ALLOCATION

APPROPRIATION AS A % OF TOTAL REVENUE



E&G FUNDING PER FTE STUDENT

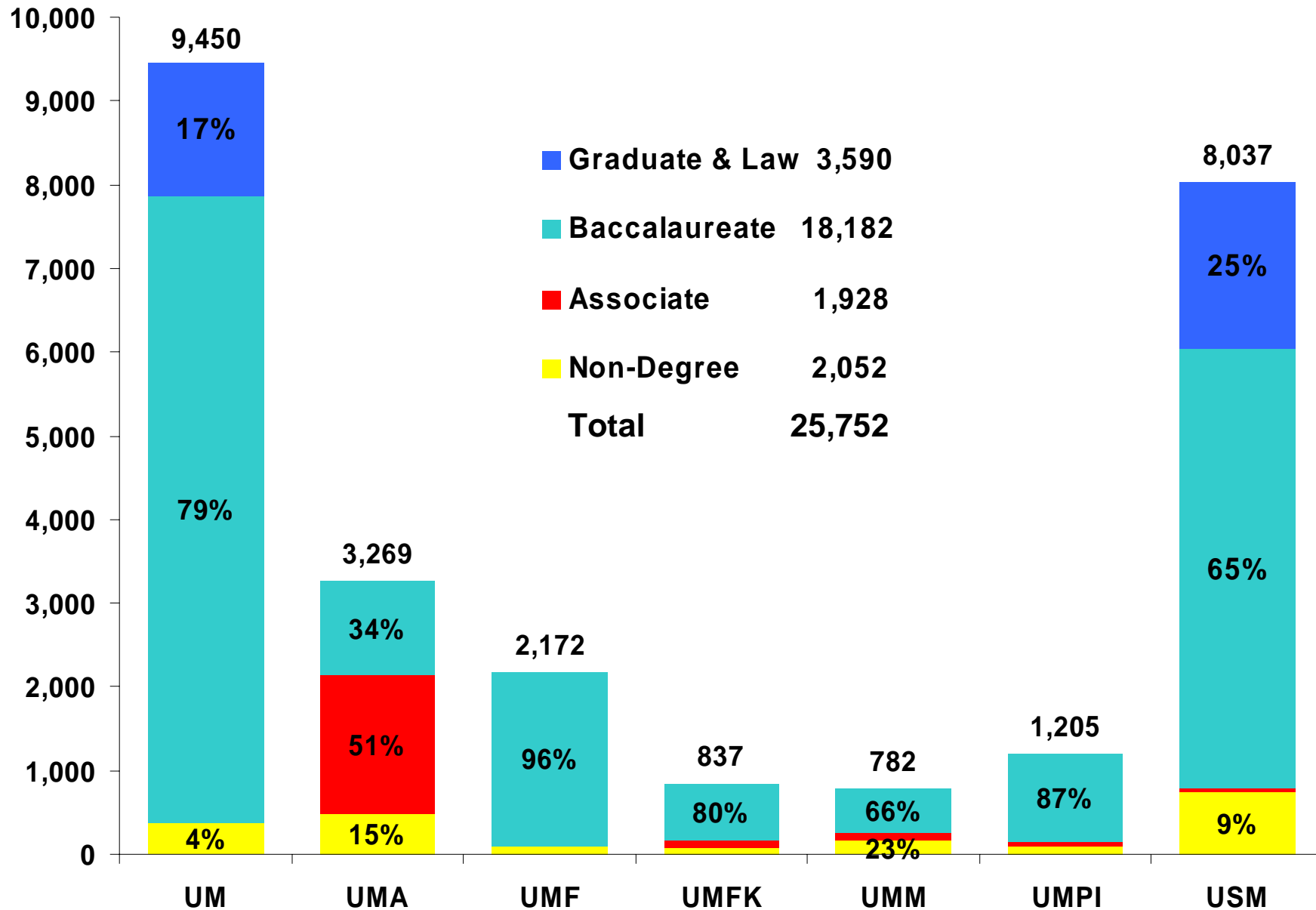
FY04 (\$ in Millions – except FTE's)

	Annual FTE	Net Tuition & Fee Revenue ¹	State Appropriation ²			Total Funding per FTE
			State Appropriation	Less Public Services & Research	Adjusted State Appropriation	
UM	9,450	\$59.4	\$81.9	(\$21.9)	\$60.0	\$12,621
UMA	3,269	14.0	13.7	(0.1)	13.6	8,370
UMF	2,172	11.8	9.7	0.0	9.7	9,907
UMFK	837	4.2	4.3	(0.1)	4.2	10,003
UMM	782	3.8	4.7	(0.0)	4.7	10,817
UMPI	1,205	5.2	6.5	(0.1)	6.4	9,604
USM	8,037	43.5	40.8	(2.5)	38.3	10,171
Total	25,752	\$141.7	\$161.7	(\$24.8)	\$136.9	10,822

¹ FY2004 forecast net of tuition waivers.

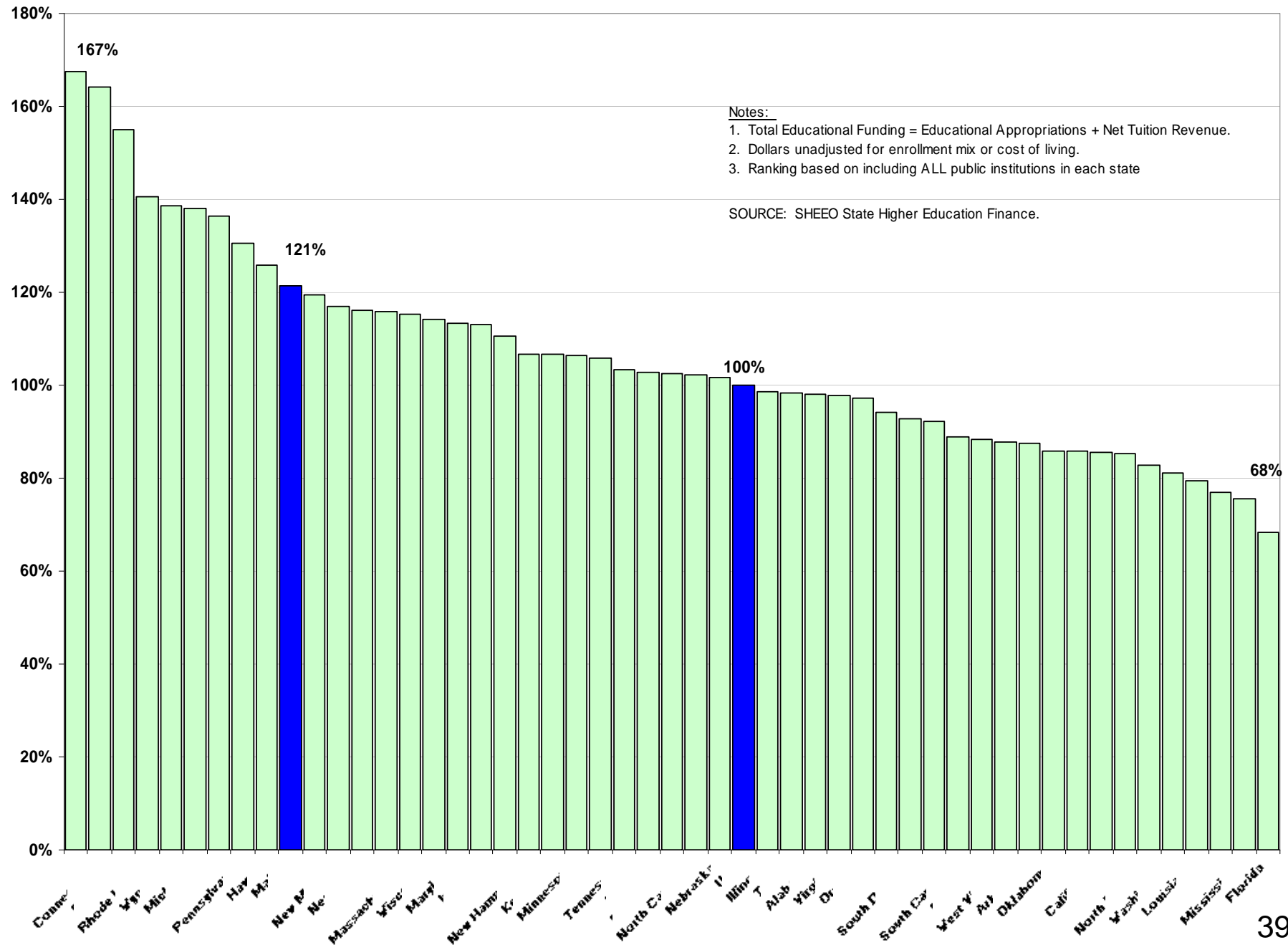
² Includes distribution of System-wide Services, UNET, and University College state appropriation.

ANNUAL FTE ENROLLMENT BY DEGREE FY04



TOTAL EDUCATIONAL FUNDING PER FTE, RELATIVE TO U.S. AVERAGE

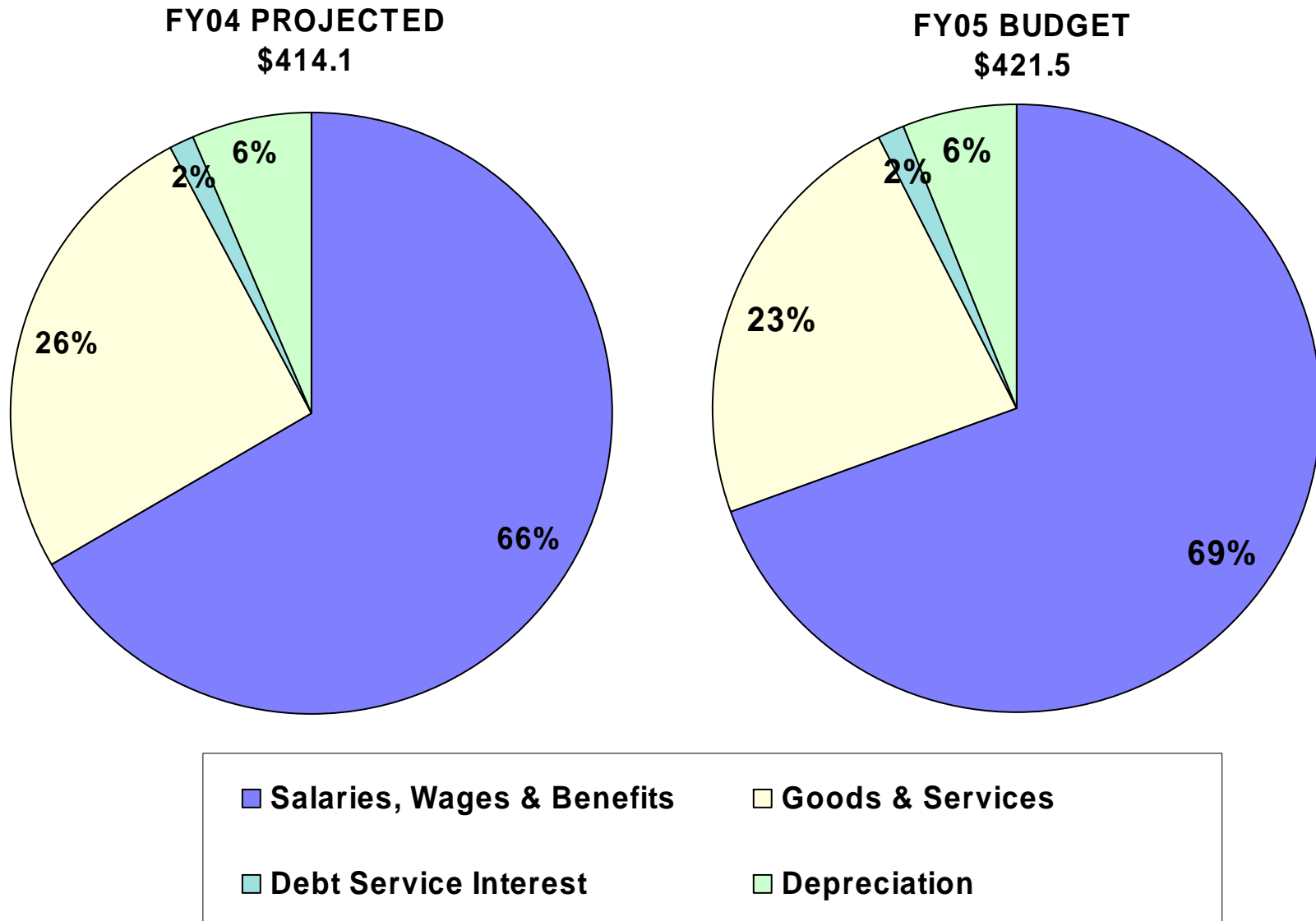
Fiscal 2003, Unadjusted



SECTION VI

OPERATING EXPENSES/ EMPLOYEE FTE'S

UNRESTRICTED OPERATING EXPENSES



INCREASES IN OPERATING EXPENSES

- ❖ Essential increases in operating costs approximating \$13 million (compensation, benefits, ERP)
- ❖ Other campus specific priorities and inflationary costs:
 - Debt service and operating costs on new facilities
 - Program specific enrollment growth-related costs
 - Energy costs
 - Facility maintenance, mandatory compliance, health and safety
 - Targeted initiatives (Libraries, faculty development, graduate student health insurance, student advising and recruiting)
- ❖ Depreciation budgeted but not fully funded for E&G operations resulting in deficit

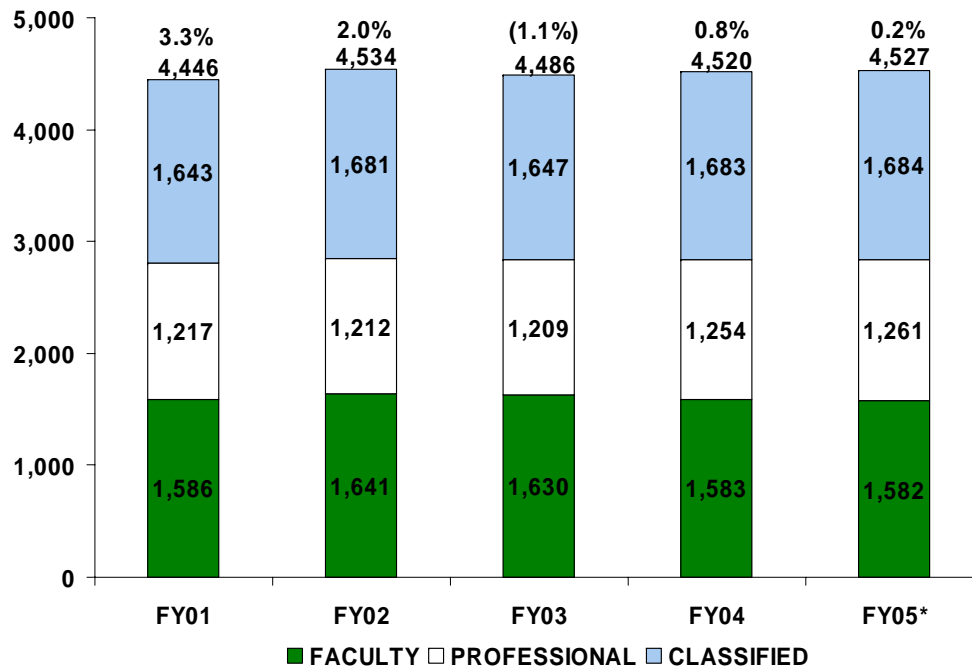
INCREASES IN OPERATING EXPENSES (Cont'd)

- ❖ Workforce management required to fund priorities and minimize deficit, net of tuition and other revenue increases
 - System holding nearly 200 positions vacant
 - Reductions in E&G staff and faculty primarily attributable to attrition and retirements
 - Special early retirement proposal is being planned
 - As part of workforce planning, Systemwide workforce initiative to be established to manage attrition, retirements, and impact of strategic plan
 - ERP and technology upgrades will help provide the tools for some of these efficiencies

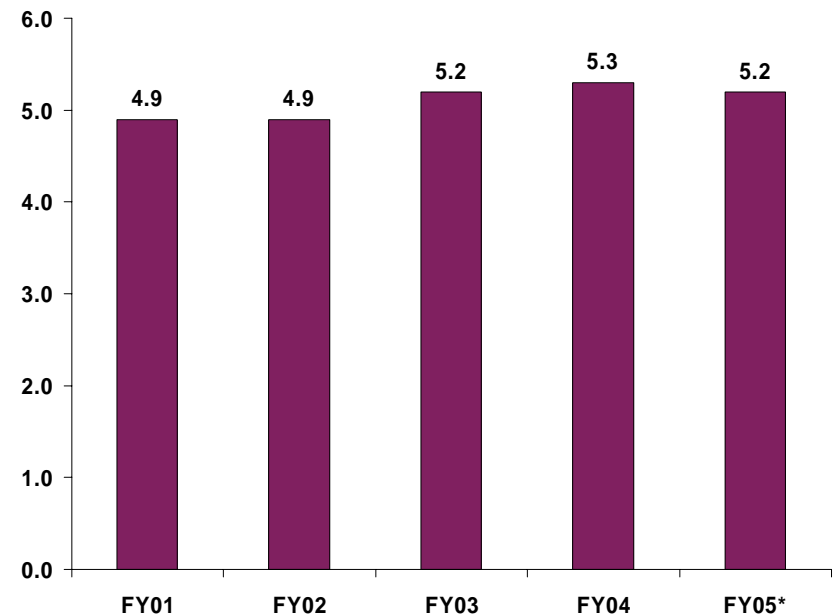
EMPLOYEES

(Excluding Restricted Operations)

TOTAL FTE EMPLOYEES

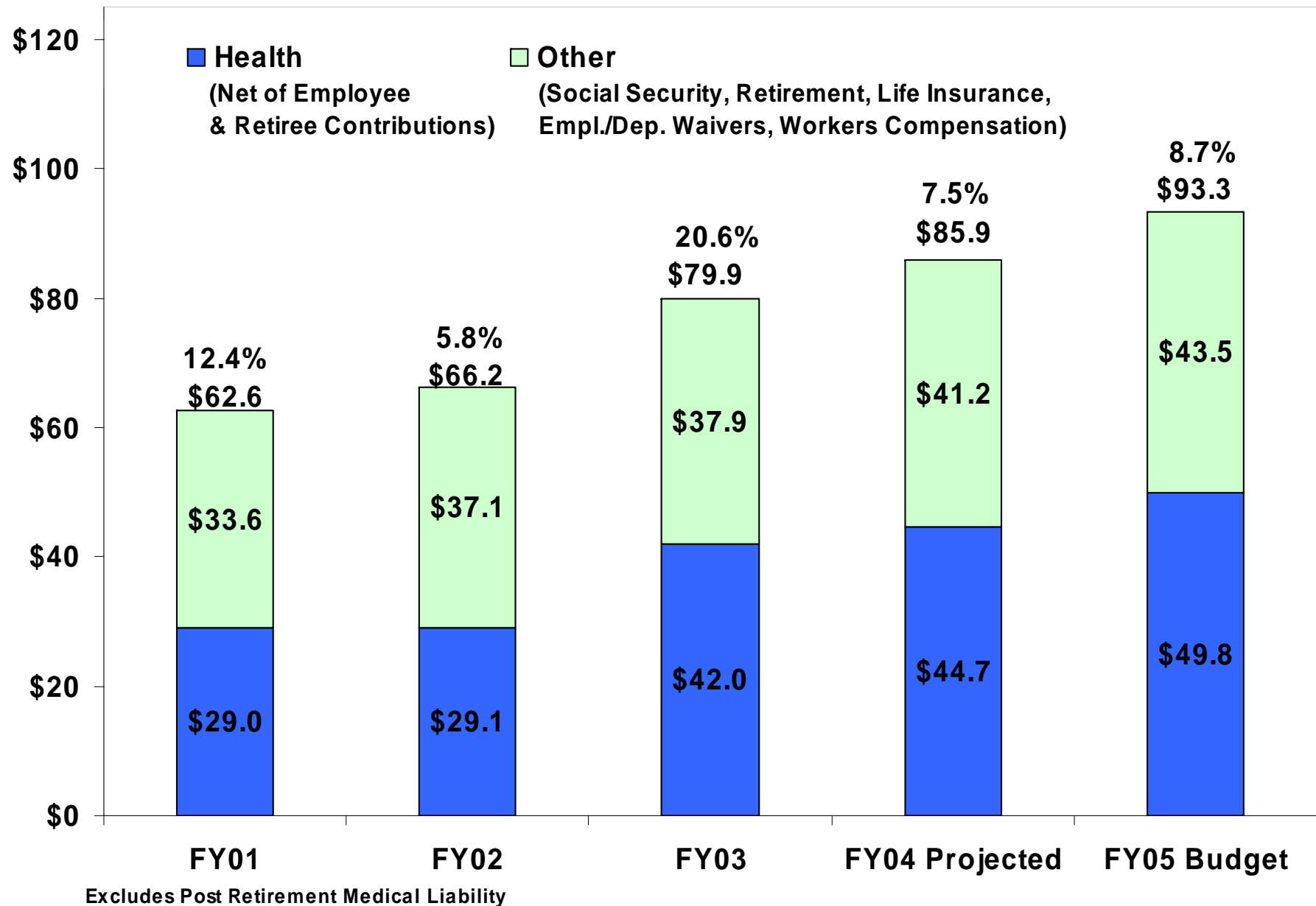


STUDENT/EMPLOYEE FTE RATIO



❖ Employee unrestricted FTE relatively flat despite a 10.5% increase in enrollment and a 19.2% increase in residential capacity from FY00 to FY05.

ANNUAL % CHANGE IN EMPLOYEE BENEFITS



SECTION VII

CAPITAL BUDGETING

MAJOR APPROVED CAPITAL PROJECTS IN PROCESS

<u>Campus</u>	<u>Project</u>	<u>Budget Cost</u>	<u>Completion Year</u>	<u>Incremental Sq. Ftg.</u>
UM	Advanced Engineered Wood Composites Center	\$6.0	06	14,000
	Agricultural Research Farm	1.1	05	8,000
	Aubert Hall	12.8	05	-
	Advanced Manufacturing Center	7.5	05	33,500
	Energy Project	3.0	06	-
	Engineering & Science Complex	16.5	04	51,800
	Franklin AQ Building	2.5	05	2,400
	Lengyel Jordan Training Facility	0.7	05	-
	Science Lab Renovations	0.9	04	-
	Recreation Center	25.0	07	85,000
	Sprinklers	10.4	08	-
	Lord Hall	5.0	04	-
	Visual Arts Studio	1.0	05	5,000
	Walsh Hockey Center	3.0	05	5,000
UMA	Technology/Classroom/Student Center	9.4	04	45,000
	Science Lab Renovations	0.1	05	-
UMF	Education Center	8.0	05	43,000
	Parking Lot	0.4	05	-
	Residence Hall	5.7	04	36,000
	Science Lab Renovations	0.2	04	-
	Sprinklers	0.4	05	-

MAJOR APPROVED CAPITAL PROJECTS IN PROCESS (Cont'd)

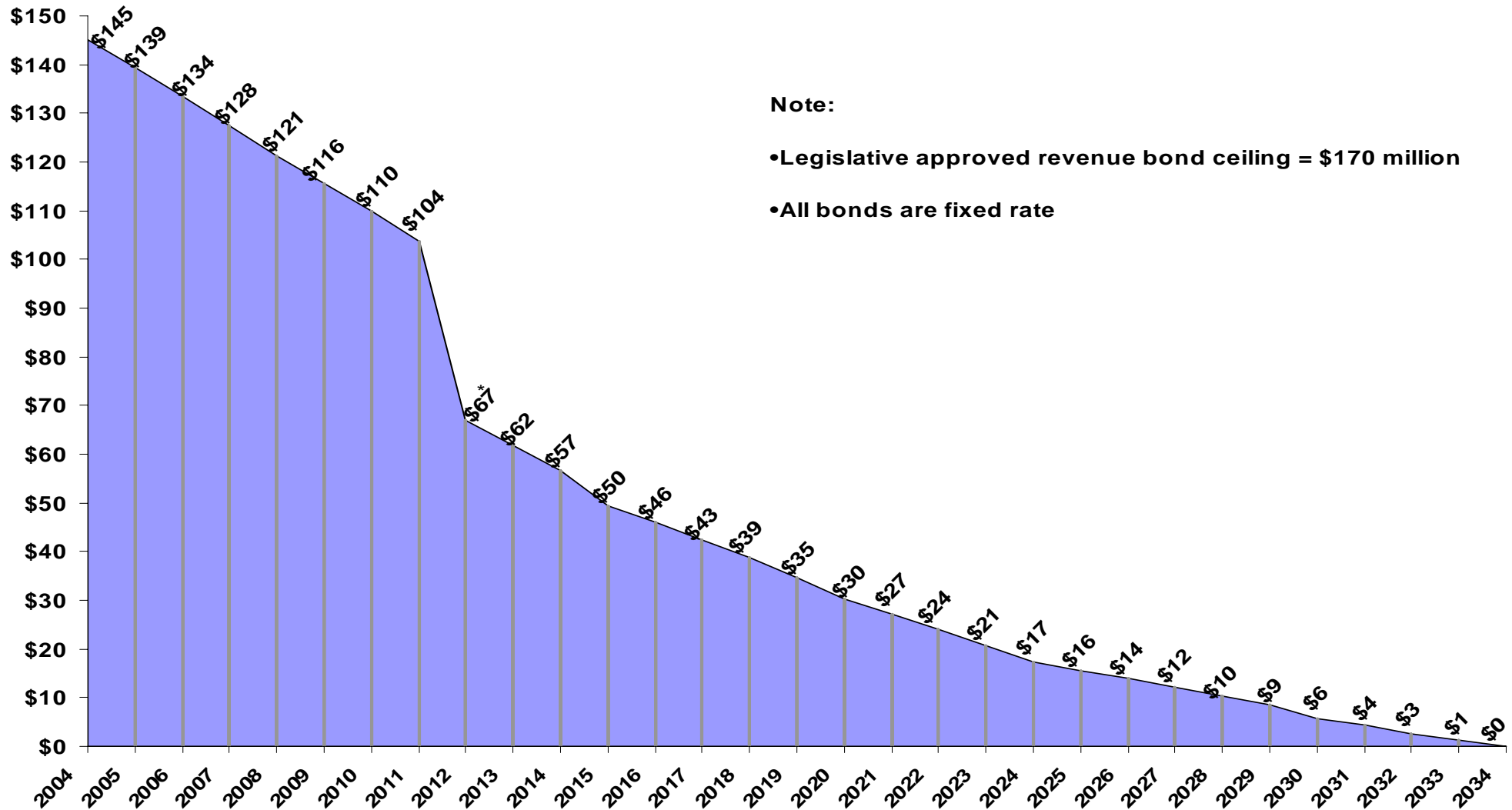
<u>Campus</u>	<u>Project</u>	<u>Budget Cost</u>	<u>Completion Year</u>	<u>Sq. Ftg.</u>
UMFK	Cyr Hall Renovations	0.8	04	-
	Nadeau Hall	1.0	04	16,625
	Blake-Powell Connector	1.6	04	7,400
	Residential Hall	7.3	04	47,500
UMM	Science Lab Renovations	0.2	04	-
UMPI	Health and Physical Education Complex	9.0	05	43,000
	Science Lab Renovations	0.4	04	-
USM	Bio Science Building Wing Expansion	4.4	05	25,000
	Cogeneration Project	2.0	05	-
	Community Education Facility	22.0	04	409,150
	Science Lab Renovations	0.9	05	-
	JMC Engineering & Tech Addition	8.0	04	22,750
	Lewiston-Auburn Renovation	2.0	06	38,800
	Muskie Institute Renewal and Expansion	12.0	05	35,000
	Sprinklers	0.9	05	-
SYSTEM	ERP Project	13.0	09	-
	Education Technology	3.0	05	-
TOTAL		\$208.1		973,925

FUNDING FOR MAJOR CAPITAL PROJECTS

	<u>\$ IN MILLIONS</u>	<u>FUNDING TIMEFRAME</u>
STATE BONDS OR APPROPRIATIONS	\$87.9	FY01 to FY04
UMS REVENUE BONDS - ISSUED	61.1	FY01 to FY04
UMS REVENUE BONDS - UNISSUED (for UM Recreation Center)	21.0	FY05
FUNDRAISING/OTHER	<u>38.1</u>	FY00 to FY05
TOTAL MAJOR CAPITAL PROJECTS	<u><u>\$208.1</u></u>	

OUTSTANDING UMS REVENUE BONDS AS OF JUNE 30

(\$ in Millions)



* Balloon payment which will be refinanced in 2012.

STATE FUNDING FOR CAPITAL PROJECTS LEGISLATED IN FY04

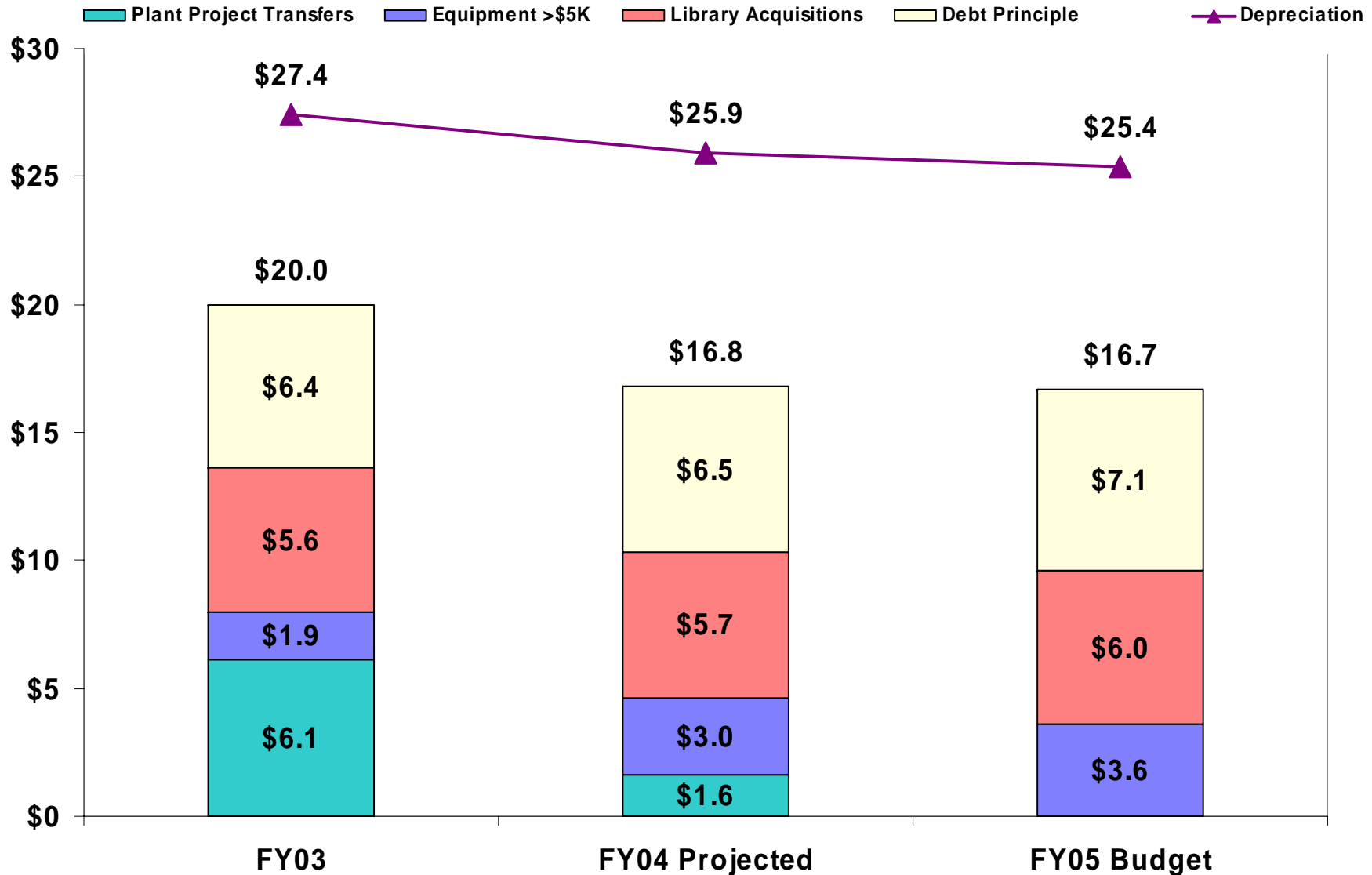
(\$ in Millions)

- State Higher Education Bond
 - Teaching laboratory renovation projects \$2.5
 - Lewiston-Auburn College expansion \$2.0 (Approved by voters in November, 2003)
- Ongoing funding for digital library \$0.5 (Annually from special revenue fund)
- Library Bond in Governor's budget \$2.0 (Possible August legislative session)

CAPITAL BUDGETING COMMENTARY

- ❖ Greatest needs for renovation and renewal projects
 - Requested \$44 million in FY04/05 biennium; received \$4.5 million
 - Revenue bonds cannot be used
 - Campuses budgets do not fully fund depreciation; facilities capital maintenance needs funded primarily with operating surpluses, if any
 - Accumulated needs get greater every year as annual depreciation “gap” increases
 - Facility assessment study in progress to determine system-wide needs
 - Will be completed for major buildings system-wide by the end of 2004

HISTORICAL GAP IN “FUNDING” DEPRECIATION



SECTION VIII

LOOKING LONGER TERM

FINANCIAL GAP ANALYSIS

(Unrestricted Operations - \$ in Millions)

			Projection					
	FY04	FY05	FY06		FY07		FY08	
	Projected Actual	Proposed Budget	Amount	% Change	Amount	% Change	Amount	% Change
Fall FTE Enrollment	23,938	23,720	24,194	2.0%	24,678	2.0%	25,172	2.0%
Operating Revenues	\$242.4	\$246.7	\$254.1	3.0%	\$261.1	2.8%	\$268.3	2.8%
Operating Expenses	414.1	421.5	437.9	3.9%	453.5	3.6%	470.0	3.6%
Net Before State Appropriation	(\$171.7)	(\$174.8)	(\$183.8)	5.1%	(\$192.4)	4.7%	(\$201.7)	4.8%
State Appropriation	161.7	164.4	164.4	0.0%	164.4	0.0%	164.4	0.0%
Gap Before Investment Priorities	(\$10.0)	(\$10.4)	(\$19.4)	86.5%	(\$28.0)	44.3%	(\$37.3)	33.2%
Investment Priorities - incremental funding requirements								
Financial Aid		2.8	5.5		8.3		11.0	
R&D		2.5	5.0		7.5		10.0	
Market Compensation Adjustments		2.7	5.4		8.1		10.8	
Programmatic Improvements		3.5	3.5		3.5		3.5	
Total Investment Priorities		11.5	19.5		27.4		35.4	
Gap After Investment Priorities		(\$21.9)	(\$38.9)		(\$55.4)		(\$72.7)	

ASSUMPTIONS – FINANCIAL GAP ANALYSIS

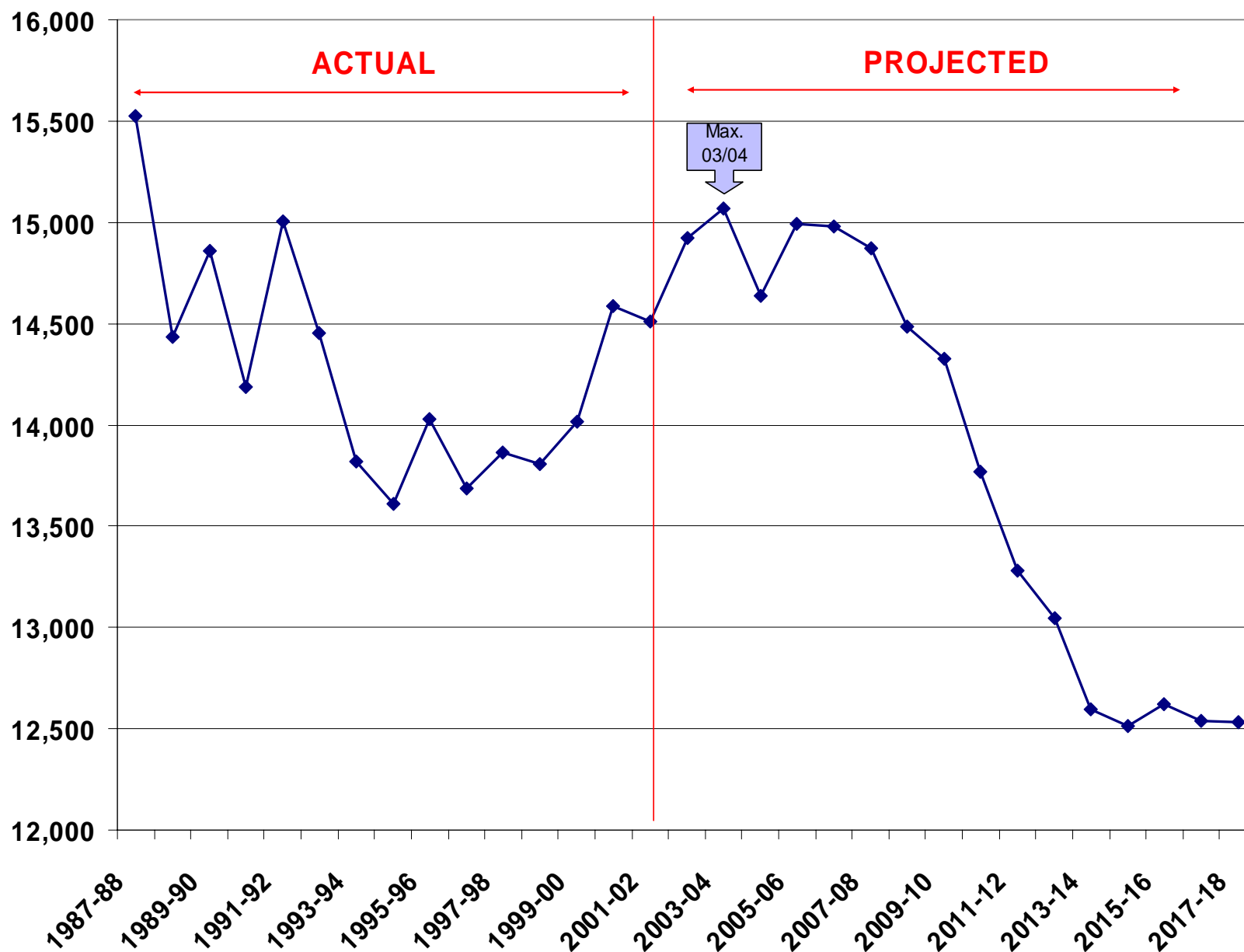
❖ Assumptions: Gap Before Investment Priorities

- Flat state appropriations for FY06 – FY08
- No tuition increases for FY06 – FY08
- 2% annual enrollment increases for FY06 – FY08 (dependent upon funding investment priorities)
- Inflationary increases in compensation and other revenues and expenses
- Includes depreciation

❖ Investment Priorities – Incremental Funding Requirements

- Financial Aid to increase by an additional \$11 million by FY08 to meet current gap in need-based aid
- R&D to increase by additional \$10 million for total of \$20 million by FY08
 - Results in \$100 million in federal R&D funds when leveraged against federal funding
- Market Compensation Adjustments
 - Faculty salaries are currently equal to or less than 85% of the national benchmark at most UMS institutions
 - Professional salaries are also well below the national average at most UMS institutions
 - By FY08, in addition to inflationary increases, salaries would increase by \$10.8 million resulting in UMS faculty and professional wages at 90% of the national average
- Programmatic Improvements – estimated at \$3.5 million

MAINE HIGH SCHOOL GRADUATES



Source: Western Interstate Commission for Higher Education, 2003

LONG-TERM, ON-GOING EFFICIENCY INITIATIVES: REDUCE COSTS, IMPROVE SERVICE, AND INCREASE NET REVENUE

- ❖ Purchasing collaborations among campuses, state, and community colleges
- ❖ Technology centralization and standardization
- ❖ Telecommunications strategy review
- ❖ Business process redesign/ERP (including centralization of services)
- ❖ Workforce/attrition management
- ❖ Integrated health strategy; wellness programs
- ❖ Programmatic reductions, consolidations, and streamlining where appropriate
- ❖ Facility management/energy conservation initiatives
- ❖ Increased development activities (gift annuities, federal funds, annual funds)
- ❖ Enhance recruiting efforts, system-wide outreach programs
- ❖ Financial aid/net tuition strategy